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The Tyranny of Monopoly-Finance Capital

A Chinese Perspective

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> *Emperors Yao and Shun governed virtuously, thence their people lived harmoniously and achieved longevity; Emperors Jie and Zhou governed brutally, their people were consequently debased and could only lead a short life.*
>
> –"Biography of Dong Zhongshu," *Book of Han* (111 AD)

The tyranny of global monopoly-finance capital can be seen in part as monetary geopolitics backed by military power. Through investment schemes, it directly appropriates the production gains made by the physical and resource economies of developing countries. At the same time, it engages in financial speculation by buying long and selling short in capital markets. The end result is the plundering of social wealth. China is not immune to this tyranny. This article analyzes the causes and effects of China's financial crises, which are in large part the fallout of crises occurring outside China. Crucial here is uncovering how financial capital–both domestic and foreign–has become alienated from the physical economy and "de-localized" in its pursuit of profits.

Since China launched its first nationwide program of industrialization in the 1950s, its economy has undergone ten successive crises. The seven that occurred before the mid-1990s arose from structural imbalances in the domestic economic system, while the three subsequent crises, those of 1997–98, 2008–09, and 2015–16, could be broadly attributed to China's

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rapid integration into a globalized economy, and can thus be considered "imported" crises.[1] Later, in the summer of 2015, simultaneous assaults by domestic and foreign financial interests led to multiple stock market crashes. The renminbi exchange rate fluctuated wildly, and China's foreign currency reserves sharply declined. This most recent crisis is clearly not the result of isolated domestic factors, but is instead symptomatic of a globalization that has largely erased any distinction between domestic and foreign financial capital.

Since the 1980s, economic growth in the core capitalist countries has been driven by an enormous expansion of financial capital, accompanied by steady deindustrialization. In recent years, the monopoly power of this financial capital has displayed increasingly tyrannical characteristics: it depends for its continued growth on ever-increasing indebtedness and dependence in developing nations, widening the divide between rich and poor and ultimately fostering state violence that serves to suppress popular resistance.[2] In the era of Western-dominated financial capital, military and monetary strength work together to profit from inequality and instability in emerging economies.

The Use of Monetary Geopolitics

Wherever it goes in its drive toward exorbitant profits, globally mobile financial capital is consistently characterized by three features: liquidity, short-term speculation, and concentration.[3] These tendencies inevitably produce bubbles and crises whose risks and costs are externalized from the multinational banks and firms that create them. The Internet and other innovations in telecommunications have made possible the immense volume of "high-frequency trading," a globe-spanning system of split-second, automated digital transactions that has come to dominate high finance. Where traditional banking served the physical economy by facilitating investment in productive infrastructure and in deposits, loans, exchanges, and remittances, financial capital today operates in a largely virtual realm of ever more sophisticated financial "devices" and "products."

These forces of de-localized, stateless financial capital depend equally on collusion with military powers in resource-rich regions, where "long-short" speculations are manipulated to reap huge profits, in the process sparking violent conflict and displacing tens of thousands of people. Chinese economist Song Hongbing calls such disruption "currency war."[4] Xu Yisheng and Ma Xin refer to it as "financial sanction."[5] Liao Ziguang has similarly named it "financial war."[6]

The role of Western governments and corporations in these regional conflicts is justified in the name of "human rights" and "democracy"

–slogans that recall the "civilizing mission" of nineteenth-century colonialism. Indeed, Chinese scholar Liu Fudui has called it "financial colonialism," and proposes that China establish a "state financial security bureau" as defense.[7] Samir Amin has likewise implicated monopoly-finance capitalism in the recent global resurgence of fascist movements.[8]

While its power has weakened somewhat, the United States remains the world's financial hegemon. This monetary dominance is underwritten by military strength: just as the U.S. dollar dominates currency markets and reserves, U.S. military bases encircle the earth. Since becoming the world's "sole superpower" after the demise of the Soviet Union, the United States has regularly launched invasions, aerial bombardments, and other interventions in Iraq, Afghanistan, Libya, and elsewhere. Whatever their stated rationales or immediate goals, the ultimate aim of such actions is to defend, consolidate, and expand the so-called "Dollar Lake." In fact, as the U.S. debt crisis has worsened, its military spending has increased, because the country's unmatched power allows it to issue ever more debt to avoid repayment of existing debts—not by virtue of the strength of U.S. democracy or markets, but through the sheer military force that supports its financial capital. It is no surprise, then, that the United States accounted for more military spending in 2015 than the next seven biggest arms spenders (China, Russia, Saudi Arabia, United Kingdom, France, Japan, and India) put together.[9]

Every U.S. administration in modern history, regardless of which party is in power, has affirmed that a strong dollar is fundamental to the nation's prosperity and security—implicitly forbidding any country to try to undermine the primacy of the dollar as the international reserve and trade-clearing currency. The defense of U.S. monetary hegemony takes many forms, from military intervention to ideological pressure to economic sanctions to "free trade" agreements. As global capitalism enters its financial phase, the system's monetary geopolitics are undergoing major transformations, and the United States has felt compelled to respond to the rise of potential economic rivals. In December 2015, the International Monetary Fund changed its rules such that loans issued by the United States must still be repaid in full, but those from Russia or China not necessarily so.[10] Preliminary negotiations for the U.S.-directed Trans-Pacific Partnership concluded in October 2015, and among the twelve charter member countries, one of the world's biggest economies was conspicuously absent: China. Then, a few months later, the opening of the Asian Infrastructure Investment Bank marked the inauguration of a major new regional financial institution—but the United States and Japan refused to join.

The Predicament of Emerging Countries

In the financial phase of global capitalism, financial competition is largely dominated by the "core" advanced economies, and the enormous profits and speculative capabilities of financial capital are concentrated among transnational corporations, based in the core countries, that command monopolistic positions. In the years since the 2008–09 crisis, central banks in core countries have, through enormous amounts of quantitative easing (QE), provided capital at effectively zero interest rates to institutional investors, allowing them to reap high returns from capital markets, resource privatization, raw material and food commodity markets, as well as derivatives, similar to those that precipitated the most recent financial collapse. Further, the zero-interest U.S. dollar has spurred overseas investment and strategic acquisitions in the physical economies of developing countries. According to one estimate, two-thirds of China's twenty-one major industries are controlled by foreign capital.[11] With basic commodity prices pushed up by international trade, domestic inflation has inevitably risen, which in turn has increased the cost of business transactions. Countering inflation would induce higher domestic capital costs, making it even more uncompetitive in the global investment market relative to the low-cost overseas investment.[12]

In contrast, the U.S. Federal Reserve's plan to "taper" QE and gradually raise interest rates has rattled global financial markets, especially in emerging countries whose physical economies are most dependent on foreign investment. Losing the "long-short" battle manipulated by this outside investment is one of the external factors that has led to the recent slowdown of growth in developing countries, notably China.

It is to be expected that in order to externalize the cost of frequent financial crises, the core countries would develop corresponding institutional arrangements. The most obvious of these is the Fed's QE policy, which has served substantially to expand the role of virtualized financial capital in core countries. Next, in order to protect their assets from a worsening financial crisis largely driven by their own speculative investments, the centers of financial capital, such as the United States, Europe, and Japan, have advanced institutional reforms to stabilize their own financial markets. In October 2013, the central banks of six major developed economies—the United States, the European Union, Switzerland, Britain, Canada, and Japan, with the Fed at the center—announced a long-term multilateral currency-swap agreement that would build a cooperative network for liquidity among these core countries. This outwardly unremarkable decision in fact signified the formation of a "new core" for the financial phase of global capitalism, a major institutional adjustment. Chinese economist Xu Yisheng has called it the new “Atlantic System” of international currencies. Financial markets in the countries whose currencies have entered this system—the U.S. dollar, euro, yen, British pound, Canadian dollar, and Swiss franc—will enjoy liquidity support as well as the “bottom line of risk premium” assessed by international capital. Meanwhile, in economies outside of the system currency exchange rates and financial markets are left vulnerable to volatility and crisis.[13] In October 2014, the Fed formally announced the end of QE. The Japanese Central Bank and European Central Bank had earlier picked up the slack and put forward their own QE policies. In December 2015, the United States resumed its cycle of interest rate hikes.

Since the Fed’s mid-2013 announcement that it would begin tapering QE, which sent shock waves through global currency and financial markets, global financial capital has retreated en masse from emerging markets. The U.S. dollar has regained its strength, causing jarring fluctuations in emerging markets, including currency depreciation, asset price decreases, growth slowdowns, and even stagnation or contraction. Such effects have helped expose longstanding structural problems in these countries. Among them, states, such as Brazil, that lack measures to limit currency exchange or contain capital flows, have been hardest hit.

There has been enormous turbulence since June 2013 in emerging-market currencies threatened by the prospect of QE tapering.[14] From June 2013 to early September 2015, in terms of U.S. dollar exchange rates, the value of Brazil’s currency had dropped by 73 percent, Turkey’s by 55 percent, Indonesia’s about 45 percent, South Africa’s by 34 percent, India’s by 17 percent, and China’s by 5 percent. It can be seen that, except in China, which maintains strict capital controls, these countries stand to lose the most in the ongoing institutional transformation of global finance. Brazil, Indonesia, Turkey, South Africa, and India are already being referred to as the “fragile five” in economic scholarship.[15]

It was estimated that in the thirteen months preceding July 2015, net capital outflows from the nineteen biggest emerging economies totaled $940.2 billion. Based on an estimate by EPFR, an organization that monitors fund flows, in a single week in June of that year, mutual fund outflows from emerging markets reached $9.3 billion, a new record since the 2008–09 crisis. Of this, $7.1 billion flowed from Chinese mutual funds, the largest fund out-flow in emerging-market mutual funds in seven years.[16]

China’s Response to Imported Crisis

Since 2000, the problem of excess capacity, also known as excess production, a concept rarely seen in China in the twentieth century, has begun appearing in official documents with increasing frequency. Although the Chinese government has responded with policies that would strengthen financial investment in the physical economy as well as facilitate what it calls "supply side reform," these do not address the problem's deeper causes: the loss of funds with the decline of certain industries within China, as well as the expansion of capital markets driven by highly leveraged financial interests.[17]

There are thus important lessons to be gained from China's experience of globalization. When the country joined the Western-dominated World Trade Organization (WTO) in 2001, China had by and large already completed its most sweeping marketization reforms. Amid Western sanctions initiated in 1989 by the United States, China's government had announced in 1992 its project of building a "new system for a socialist market economy." Before that, it had already decontrolled prices for food and other commodities, gradually phasing out the coupon distribution system and initiating currency reform. And in December 1993, the State Council announced its decision to liberalize China's financial system, opening up three speculative capital markets—in securities, futures, and real estate.

By the early years of the new millennium, state-owned banks in China had completed the commercial banking reforms begun in 1998. Previously, the four major state-owned banks—the Industrial and Commercial Bank, Chinese Agricultural Bank, Bank of China, and Construction Bank of China—were specialized banks directly managed by the state. After the launch of market liberalization in 1992, public and commercial finance were strictly separated; during this period, the Chinese financial system was in chaos, saddling the banks with large quantities of bad assets, in turn resulting in severe shortfalls of capital. In 1997, the government sponsored the First National Financial Work Conference in Beijing. Conference attendees proposed the establishment of four asset management companies, one for each major bank—Huarong, Cinda, Great Wall, and Orient—to take on bad assets and smooth the path to commercialization reform. Afterward, during the Asian financial crisis, expansionary fiscal measures were adopted to invest in infrastructure in inland regions of China on a large scale, underwriting special national bonds that were issued to the four major banks to cope with a crisis that had originated outside China itself.

Given that China had not yet opened its domestic capital and currency markets to foreign investment, such measures to strengthen state banks' capital in the face of an "imported crisis" amounted to an official countercyclical intervention, directly "buying long," and as a result China was spared from the worst effects of the regional financial meltdown.[18] Yet this essentially Keynesian use of national fiscal policy to make countercyclical adjustments was regarded by Western countries as a form of "capital control," in contrast to "capital flow." The West then shifted its demands from an imperative to open the "market" in general toward a stress on the opening up of finance.

Before panic seized Western financial markets in 2008, China had mostly completed its reform of the four major state-owned banks for public trading. In response to the WTO's request to admit foreign capital, the Second National Financial Work Conference in 2002 made it official policy that state-owned banks would be restructured as commercial banks, with the state retaining a controlling share. In due course, shares in the four major banks were offered to the public on the A-Share market of Shanghai and H-Share market of Hong Kong.

Thus, within a single decade, two major systemic reforms altered the role of financial capital in China: marketization reform and banking reform, which together created the institutional conditions for China to participate fully in globalization. Soon after that, in 2009, following the eruption of the global crisis, financial capital grew alienated from real industries. In the context of the government's enormous injection of ¥4 trillion, growth in currency credit has exceeded that of GDP. The respective growth rates of industrial added value and of M2, the aggregate social financing, began to diverge. The additional credit fund did not prompt an expansion of the physical economy. Instead, many non-financial institutions that had obtained financing abandoned low-return primary industries and entered the financial sector, launching businesses that offered loans, managed wealth assets, and so on.[19] More broadly, since 2011, when growth in the domestic real estate market began to slow, a major shift has redirected China's economy toward the Western model of globalized financial capital. Property mutual funds entered virtualized realms such as insurance and internet finance. At the same time, shadow banks multiplied, and the financial market expanded rapidly.

In recent years, the financial capital groups that drove this alienation of China's development priorities away from the real economy, along with sympathetic state authorities, have introduced a series of trading tools facilitating the development of derivatives, such as margin trading, financial futures, over-the-counter financing, and more. All of this represents a rare historic opportunity for foreign and domestic financial capital to collaborate and short-sell the Chinese economy.[20]

Stock Market Crashes and Exchange Rate Fluctuations

Objectively speaking, the multiple stock market crashes that occurred in 2015 in China, as well as the fluctuations in the renminbi exchange rate, were part of a larger "long-short" war that has typified global capitalism's financial phase, enabled by the entry of Chinese financial capital into the globalization process—even if on the surface it appears as merely a confrontation between the "long buying" of Chinese state capital and the "short selling" of private capital.

In early 2015, the stock market surged, prompted by an expectation of favorable policies. In April, the China Securities Regulatory Commission (CSRC) launched several new stock indices, as well as a mechanism for full "short-selling." According to estimates by analysts in over-the-counter financing institutions, the scale of over-the-counter financing was about ¥1.7 to 2 trillion, much higher than the CSRC's own estimate. In June 2015, data from Bloomberg showed that the largest Exchange Traded Fund (ETF) in the United States tracking renminbi-based stocks had seen the inclination to "short-sell" Chinese stocks rise to 16 percent of total circulating shares, a new record.[21] All the necessary factors were in place for a classic stock-market panic.

From June to July, successive stock market crashes shook the Chinese economy. The Shanghai Stock Exchange Composite Index plunged from a peak of 5178 to about 3300 before eventually recovering. ¥18 trillion of market value evaporated almost overnight. On July 6, the Shanghai-Hong Kong Stock Connect Program had a net "sell" in both directions: ¥13.4 billion in Shanghai and ¥14.6 billion in Hong Kong.[22] One after another, overseas funds fled Chinese stock markets.

On June 27, the Central Bank of China announced it would lower interest rates by 0.25 percent, and at the same time reduced the reserve-deposit ratio requirements for certain banks. The last time this unusual combination had been tried was at the peak of the 2008 crisis, an indication of the severity with which the government viewed the situation. A week later, the State Council held a meeting to discuss other possible measures, and it was reported that the government raised an amount of ¥1.7 trillion effectively to bail out the market.

Goldman Sachs estimates that the Chinese government had spent close to $140 billion to avert a stock market meltdown. Other industry analysts estimated that including social security, the China Securities Finance Corporation, and other institutional investors, the total fund for bailing out the market amounted to ¥2–3 trillion.

In August 2015, pursuant to the renminbi exchange rate reform, China's currency entered a cycle of depreciation. Since then, the offshore renminbi exchange rate has fluctuated wildly. Chinese authorities have intervened repeatedly in the currency and financial markets in order to deal with the coordinated short-selling activities of foreign and domestic investment funds.

According to calculations by economist Zhang Ming, compared to their peak near the end of June 2014, foreign reserves in China had shrunk by about $800 billion, of which $500 billion was used by the central bank to intervene in the foreign currency exchange market. From November 2015 to January 2016, the monthly decline was close to $100 billion, most of which was deployed in foreign currency exchange market interventions. By the end of 2016, China's foreign currency reserves were worth $3.01 trillion. The reduction was necessary to stabilize the renminbi, which had depreciated by about 7 percent against the surging dollar in late 2016.[23]

That Western financial capital had long been aiming to short-sell the Chinese capital market was an open secret.[24] Nevertheless, earlier attempts had failed, mainly because China's financial capital remained largely closed to foreign investment. Now, however, in order to realize the market's role as the deciding factor in resource allocation, China had extended its economic liberalization to include the opening-up of the financial industry, both domestically and externally.[25]

Before the 2015 reforms, China's only official set of capital requirements for foreign investment was the Qualified Foreign Institutional Investor (QFII) policy.[26] Because relatively few foreign investors were approved under QFII, speculative financial capital was given little room to cause trouble within China. This hardly kept speculative investors out of the country, however: financial big shots instead simply set aside their enormous funds in the more open environment of Hong Kong, eventually pushing the Hong Kong stock market to a six-year high of over 25,000 in September 2014.[27] This in turn led Hong Kong's economy into a deep dependence on capital markets, as well as a parasitic reliance on the economy of mainland China. As in the United States and other Western nations, an increasingly financialized economy is inherently incapable of overcoming mass unemployment, dimming the already bleak economic prospects of young people. A backlash was probably inevitable: from the youth-led Umbrella Movement of 2014 to the unrest in Mongkok in 2016, the root cause of Hong Kong's recent social disruptions is not the lack of free elections or the rule of law, but the unchecked rise of foreign financial capital, which has hollowed out the country's physical economy and polarized its society between rich and poor.

Transnational financial capital groups had finally found a long-sought opportunity to short-sell China. Where did that opportunity come from?

Since 2008, after the U.S. government's bailed out major banks and initiated QE, the cost of zero interest rate had expanded liquidity on a global scale. The excess funds that went into commodity futures markets had pushed up prices for raw materials, natural resources, and food staples, in effect transferring inflation to the importing countries.[28]

China, as the world's largest importer of energy and raw materials, was thus exposed to high rates of domestic inflation which could hardly be contained. This in turn prompted domestic interest rate increases, narrowing profit margins in the physical economy and precipitating the latter's recent relative decline.[29] At the same time, because U.S. and Chinese interest rates tend toward an inverse relationship, foreign "hot money" continued to flow into China, abetted by public and private sectors keen on access to cheap foreign capital. China's new bourgeoisie rallied around calls to "open up the capital markets," leading to a series of liberalizing policies such as the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect, and the Shanghai Free Trade Zone.

After the Shanghai-Hong Kong Stock Connect, other measures were proposed, such as a substantial expansion of QFII and the Renminbi Qualified Foreign Institutional Investors (RQFII) and the admittance of the A-Share into international stock indices. As part of the regional free trade zone established in Shanghai in September 2013, financial services were offered for free trade accounts that incorporated both domestic and overseas currencies, beginning in April 2014. Other coastal cities and even some large inland cities eagerly followed Shanghai's lead. It was these projects of opening up capital markets that set the stage for a major "long-short" battle. In fact, this so-called opening was mainly motivated by the strong demand in coastal regions to implement institutional "decentralization," in order to facilitate direct articulation between cheap foreign capital and the local state-owned corporations, freed from any formal repayment obligations.[30]

After China's 2015 stock market crisis, the country's financial and fiscal authorities advanced a set of still more "pro-cyclical" policies. First, further reforms to facilitate the development of internet finance.[31] Second, proposals to encourage cash dividends to improve the stock markets' rates of return.[32] These proposals represent a decisive victory for the interests of financial capital, which has turned the current crisis to its own advantage. Finance's gain, however, is the Chinese people's loss.

"Long" Measures in China

Faced with the challenges of globalization, China has consistently taken active measures to increase "aggregate demand"; since 1998, China has continuously bought "long." These polices included large-scale strategic investment projects to drive economic growth, supported mostly by national debt: ¥3.6 trillion in 1999 for the development of the country's western regions; ¥2–3 trillion in 2001 to revive former industrial bases in the northeast; ¥2–3 trillion in 2003 on development of central regions; over ¥10 trillion for the Policy of Building a New Socialist Countryside from 2006–15, and ¥2 trillion in 2008 on post-earthquake reconstruction in Sichuan province, as well as ¥4 trillion in 2009 on emergency market bailouts. Driven by exports and state investment, 2002–12 appears in retrospect as a "golden decade" of rapid growth and development in China.

For years, these "long" measures were effective, since control over domestic financial markets remained strict. Since at that time there was, at least at the national level, no strong separation between fiscal management and financial investment, the central government could retain close control over financial capital, largely shielding China from the East Asian financial crisis in 1997, and later from the 2008 global financial panic. For the same reasons, for most of the past two decades international financial capital was effectively blocked from acting on its stated ambitions to "short-sell" China.[33]

All this came to an end around 2013, when the long-awaited "tapering" of QE provided Western financial capital a pretext to instigate capital speculations, producing violent stock market fluctuations and currency depreciations in Brazil, India, Russia, and other developing nations. Fortunately, in 2013, although China had already expressed its intention to further open capital markets, these reforms had not yet been implemented, sparing the country from such shocks.

However, in the years since, China has embraced the Western model of financial capitalism. The central government has promoted novel trading tools such as margin trading, financial futures, over-the-counter financing, and so on, all to facilitate the development and trading of derivatives. At the same time, objective circumstances such as the real estate crisis have redirected funds for property speculation toward the stock market.

A comparison with the 2007 stock market crash in China may be instructive. Before the U.S. subprime mortgage crisis initiated the Wall Street meltdown, China's stock market was already in shambles. The SSE Composite Index dropped from 5500 to 2500, erasing over ¥700 billion in wealth. Although these numbers may look modest now, they inspired a bearish mood in Chinese markets, trapping almost all the "hot money" that had recently entered the country and inhibiting its flow back to the

United States and other western financial centers. This was one of the causes of the liquidity crunch during the subprime crisis, which set in motion the global financial crisis. By contrast, eight years later, in June 2015 another stock market crash occurred in China, this time wiping out ¥7 trillion, and again trapping large amount of overseas hot money. Yet this time China's instability caused only a brief dip in U.S. stocks, which quickly recovered. The decisive factor behind the disparate outcomes of these two crises was the new currency swap agreement of October 2013, set up among the United States and other core countries of financial capital, that was able to smooth market fluctuations.

The multiple stock-market destabilizations that have occurred since 2015 undoubtedly required the close collaboration of foreign investors and Chinese domestic capital. Yet this is not to say that China's vulnerable markets are the result of a conspiracy by the global financial elite. Rather, it accords with larger objective trends in the global political economy. Representatives of China's financial capital and their allies had only to stress the guiding principle of the "market," implicitly rejecting the counter-cyclical measures that had long characterized Chinese macroeconomic policy, and further, demand the government's adoption of so-called "deepened reform." After the subsequent launch of derivatives-trading products able to absorb large amount of excess currency, the interests of domestic and foreign financial capital would merge in the form of a Western-style virtualized financial capitalism. Viewed this way, no conspiracy theory is needed to explain the weakening of China's physical economy and the volatility of its financial markets; only the fluttering of butterfly wings in Shanghai or New York—i.e., the cumulative consequences of every individual short-selling transaction.

Will Financial Capital Collapse?

China's market crash calamity is one episode in a global "long-short" battle waged by domestic and foreign financial entities during the current phase of financial capitalism. Domestic private capital, as well as some senior management of state-owned enterprises, who worked to undo the counter-cyclical "long" policies of the central government are in fact representatives of the interests of foreign capital blocs. China's neoliberal reforms since 2013 have followed the larger pattern of financial globalization, but the fortress could only have broken down from within.

Unless Chinese regulatory authorities take decisive steps to contain it, the stock market crash will strike further blows to China's real economy. Wealth accumulated over the years by corporatized local governments in the real economy—albeit by suppressing workers' rights and wages and by destroying the environment—could be reduced to virtually nothing, as in the "500-day privatization plan" introduced in Russia in 1991.[34]

Financial capital is ultimately a black hole. In the longer term, as financial capital overtakes everything in the real economy, it may be hurtling toward its own destruction.[35] Once it is no longer possible to wage "long-short" battles, it will implode.[36] For now, however, a world economy in which financial capital always wins looks more and more like a global race to the bottom.

Notes

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2. See Michael Hudson, *Killing the Host* (ISLET, 2015); Eric Toussaint, *Your Money or Your Life* (Chicago: Haymarket, 2005); Maurizio Lazzarato, *Governing by Debt* (Cambridge, MA: MIT Press, 2015); Joseph E. Stiglitz, *The Great Divide* (New York: Norton, 2015; and Christian Marazzi, *The Violence of Financial Capitalism* (Cambridge, MA: MIT Press, 2010).

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17. "Xi Jinping Hosted the 11th Meeting of the Central Financial Leading Group," Xinhua, November, 10, 2015, http://news.xinhuanet.com.

18. Wen Tiejun, Ji Han, Zhang Junna, "Central's Risk and Local Competitions," *Journal of Chinese Academy of Governance* 4 (2015).

19. Chen Daofu, "The Situation and Causes of the Rift between Monetary Finance and the Physical Economy in China," *Journal of Development Research* 10 (2013).

20. Wen Tiejun et al., "China's Stock Market Crash and Alternatives," seminar discussion at Lingnan University, Hong Kong, July 6, 2015; transcript available at http://our-global-u.org.

21. San Feng, "Crash of a Share: The Phantom of Soros Looming in the Financial War," Deep Observation Think Tank, July 4, 2015.

22. The Shanghai-Hong Kong Stock Connect is a mechanism whereby the Shanghai Security Exchange and the Stock Exchange of Hong Kong allow investors in either city to trade in the other's stocks—within certain limits—through local securities brokerages. Begun in November 2014, it represents a significant part of the opening of China's capital markets to outside investment.

23. "News Analysis: China's forex reserve drop narrows in 2016, pressure remains," Xinhua, January 7, 2017.

24. "Road Map of Five-Step China-Shorting," Ifeng, December 2, 2012, http://news.ifeng.com.

25. See "Third Plenary Session of the 18th CPC Central Committee" adopting "Decision on Major Issues Concerning Comprehensively Deepening Reforms," November 2013.

26. The QFII system permits qualified foreign institutional investors to remit into China certain amounts of foreign currency and to convert it to local currency, to be invested in local securities markets through strictly monitored special accounts. The capital returns, stock dividends, and so on may then be converted back into foreign currencies and remitted, with approval from Chinese regulators.

27. "Hong Kong Stocks Closed above 25000 Barrier for the First Time in Six Years," China News Service, September 19, 2014, http://chinanews.com.

28. Han Huishi, "The Export of Inflation under Quantitative Easing—from the Perspective of US Capital's Outflow," *Shanghai Finance* 5 (2011).

29. He Zhengquan, "Analysis of the Impact on China's Inflation due to US Policy of Quantitative Easing," *Journal of Finance and Economics* 10 (2012).

30. "Government corporation" carries two distinct levels of meaning and interpretation. The first is what Chinese scholars call "corporatized government," wherein local authorities seek to optimize profits, over and against the interests of the people. The second is a phenomenon in which government leaders treat their jurisdictions as their own private companies, enriching themselves illegally.

31. On July 18, 2016, a joint press release, "Guiding Opinions on Promoting the Healthy Development of Internet Finance," was issued by People's Bank of China, the Ministry of Industry and Information Technology, Ministry of Public Security, Ministry of Finance, State Administration of Industry and Commerce, Legal Affairs Office of the State Council, China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission, and the National Internet Office.

32. On August 31, 2016, a joint announcement was made by the four major departments (the Securities Regulatory

Commission, Ministry of Finance, State-Owned Assets Supervision and Administration Commission, and the Banking Regulatory Commission), "Notice on Encouraging Listed Companies in Merger and Reorganization, Cash Dividend and Stock Buy-Back." It recommended further measures to simplify governance, empower, push for mergers and acquisitions among listed companies, encourage listed companies to pay cash dividends, help listed companies buy back shares, develop innovative payment and financing tools, and, through acquisition loans, overseas and domestic syndications, and so on, support listed companies in making transnational acquisitions.

33. The earliest attempt to "short" China was the so-called China Collapse that followed the disintegration of the Soviet Union and peaked during the 1997 East Asian Financial Crisis, before receding after 2001 as U.S. financial capital struggled to recover from the tech-bubble burst.

34. This shock-therapy plan proposed that within 500 days, beginning on October 1, 1990, the entire base and structure of the Soviet economy would be liberalized, stabilized, and privatized, turning toward markets, and, in effect, toward capitalism.

35. Immanuel Wallerstein et al., *Does Capitalism Have a Future?* (Oxford: Oxford University Press, 2013).

36. Samir Amin, *The Implosion of Contemporary Capitalism* (New York: Monthly Review Press, 2013).

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Why is the American language an impoverished form of English, if not because the "purer" capitalism of North American needs fewer nuances of thought and feeling? Why are the "vestiges" of culture in North America to be found in the appalling pro-slavery South and not in California or Las Vegas? Why has the language of the Europeans of the nineteenth century become unreadable for the functionalist sociologists of the twentieth century who simplify everything? Why has dialectics become synonymous for them with "incomprehensible," "contradictory," "erroneous," while they take delight in the simple—simplistic—language of the unilateral models that require a computer (which replace a billion connections of the human brain by ten million electric wires—ah progress!)? Why is that the idiotic specialists can no longer feel and understand cross-disciplinary allusions and metaphors? Why is it at the beginning of the nineteenth century that the wonderful, visionary cry of utopian socialism arises? Why do the most modern ideas and actions come from China?

—Samir Amin, "In Praise of Socialism," *Monthly Review*, September 1974