

BOOK REVIEW

James R. Gorrie, *The China Crisis: How China's Economic Collapse Will Lead to a Global Depression*, New Jersey: Wiley, 2013, 292pp.

In 2013, James R. Gorrie, former investment counselor, freelance writer and web entrepreneur from Austin, Texas, published *The China Crisis*, a book on the People's Republic of China, a country aspiring to become the world's largest economy. As the author indicates in the subtitle to his book, *How China's Economic Collapse Will Lead to a Global Depression*, he aims to wean his readers from the misconception as if the overall economic boom is all that is currently happening in the People's Republic of China and the country's population is heading towards a carefree future. Gorrie has structured his extensive approach on China, the world's dominant superpower, into nine thematic chapters. His aim is to enlighten a wide audience on China's recent history and current situation and to make it as readable as possible, so the book hardly contains any statistics on China's macroeconomic situation. Rather, Gorrie has added some demographic and crowd figures to his descriptions of various social processes in China. The author of this extensive work is clearly skilful enough in presenting the dynamics of China's socio-economic processes without burdening the reader with excessive figures or percentages.

Chapter 1 of the book, entitled 'A World on Edge', with its 14 subchapters, takes a retrospective look at several aspects of China's socioeconomic development. Gorrie attempts to show the readers that contemporary China should not be viewed merely as a major producer of cheap commodities to the world but as a catalyst of the global financial and economic crisis that broke out in 2008. He points to the fact that former leaders of the Chinese Communist Party (CCP) have generated profound crises in the country also in the past—for example, Chairman Mao's Great Leap Forward and the Cultural Revolution which could be viewed as a kind of social cannibalism. Current leaders of the CCP therefore aspire to improve the situation for the much-suffered common people in China. This is why, Gorrie emphasises, the personal consumption level of ordinary Chinese has risen abruptly and so has the general demand for products and services. The workers' wages are said to have been grown, although unfortunately Gorrie does not mention that the average monthly salary of workers in China's larger cities already exceeds 650 euros. The CCP today uses this in their propagandist address to the Chinese people announcing that "a bright and powerful future awaits". Gorrie also describes China's deepening

“gold fever”, mainly represented by Chinese Central Bank’s significant gold purchases, the aim of which is to guarantee the stability of the national currency, the yuan. Still he does not specify that the Central Bank’s current gold reserves, which are among the largest in the world, are nearing to 1,400 tons.

Chapter 2 of the book presents politological views and discusses the relationship of stability and legitimacy in China. Here Gorrie refers, for the first time, to China’s political and economic model (later called the Beijing Model) as the model of state capitalism devised by the CCP, and argues that the hopes of the CCP to use it to lead the country to stability and legitimacy are highly debatable.

Chapter 3 of the book indicates that while the so-called Open Door Policy, which was launched in 1979, brought a considerable number of foreign investments to China and encouraged production, it also forced the Chinese population to abandon its long-term traditions. The One Child policy was put in force, resulting in preference for boys. By the present moment this has brought about a demographic imbalance, the boom of unmarried men and the “bride shortage”, generating the growing instability in the country.

Chapter 4 analyses China’s sustainability. Gorrie notes here that China’s leaders regarded the global financial and economic crisis of 2008 as the moral collapse of Western liberal capitalism, shaped by the US, and substituted this in China with the so-called Beijing Model, in which the state and private enterprises (especially commercial banks) are essentially controlled, regulated and guided by the government. However, seeing that the country is gripped with pervasive corruption and fierce struggle for power, Gorrie believes, quite justly, that there can be no guidance or control by the country’s leadership and perhaps is also right when he argues that the so-called Beijing Model is not the long-awaited path to progress, but could easily lead to “cannibal” capitalism, where the huge profits propagated by the CCP come before the workers’ normal wages, occupational safety and health care, as well as environmental sustainability. The author claims that an average Chinese worker slaves away ten hours a day, six days a week. Gorrie quite aptly formulates that the country’s inability to predict consumer demand leads to the emergence of zombie industries which are in constant overproduction. Also, dangerous real estate bubbles have emerged in the country’s economy because of the construction boom propagated by the CCP. Gorrie emphasises that the Beijing Model is by no means the China’s innovative economic invention the CCP often claims, but it is an elaboration of its Open Door policy which brought foreign investments, foreign companies and technologies to China. While Western companies used to be allowed to operate in China only as joint ventures of local companies, they are now free to establish

branches of their own corporations. True, they still have to be granted licence and rules of activity by the CCP-driven government. Gorrie rightly mentions that while Chinese economic experts have been trained by the leading university lecturers in the world, these fresh Chinese economists have no decisive say in shaping the country's economy. This has been and still is the prerogative of the CPP leadership.

Chapter 5 of the book discusses the quiet crisis which may lead to the country's financial and economic meltdown. Gorrie argues that the propaganda used by China's leadership focuses on the country's external achievements: modern high-rise buildings, high-speed rail systems, etc. At the same time, the country has 68 million state-of-the-art luxury apartments which have no owners; they were built during the housing boom with recklessly issued bank credit loans. This is why, Gorrie emphasises, China's economy is additionally haunted by a huge credit bubble. Chinese mainstream journalism, however, prefers to keep quiet about it. Gorrie also mentions that China's national currency, the yuan, is cheap relative to the US dollar and the euro, and this has a favourable effect on China's export capacity. On the other hand, the protectionist measures of the European Union and other economic unions largely countervail this advantage. This renders quite pointless the propositions of some Chinese financiers to devalue the yuan even further upon the Central Bank's decision. Gorrie accurately notes that the CCP has managed to protect themselves against major civil unrests that may be triggered by the possible bursting of the "bubbles" by ensuring that the country has sufficient food reserves and the population's demand for the main foodstuffs is met.

Chapter 6 discusses one of the major "ticking time bombs" in China—the excessive environmental degradation. Gorrie argues that this will pose a threat to China's social and political stability. He notes that epidemics from environmental pollution have caused an average of 75,000 deaths a year. Air pollution is a huge problem in the country. This has made the city of Wuhan in central China infamous for its sky turning dark brown from air pollution. Gorrie notes that China's central government remains indifferent about such matters and only the local authorities have started to fight for cleaner air. China's water resources are in a similarly critical situation. Gorrie mentions that alongside Mao Zedong's Great Leap Forward campaigns in the 1970s, active pollution of local rivers began. Miniature hydro-electric power stations were constructed on the rivers, but their low-quality dams often collapsed, causing floods. Present-day China is reportedly issuing numerous environmental acts but only ten per cent of these are followed in the ever-spreading situation of corruption. Even in Beijing, the country's capital, where control over the purity of air is stricter

than in other cities, the level of pollution repeatedly exceeded the norm in 2013. Also, the quality of water available to the majority of Chinese population poses a serious threat. According to Gorrie, nearly one billion Chinese drink polluted water on a daily basis. Pollution of drinking water is particularly critical in the Hubei and Henan provinces. Chinese now call the Han River, once rich with fish, a “red mud ditch” because of the contamination of ammonia and heavy metals. Such mud rivers, Gorrie argues, are the direct result of the contamination by 413 industrial plants and 1,111 cellulose and paper mills. More than 60,000 Chinese die each year of cancer as a result of drinking toxic water. Readers may be frustrated by the knowledge that 75 per cent of northern China’s surface water is non-drinkable. But, Gorrie adds, due to over-industrialisation, huge areas of former arable land are also polluted. Forests are being decimated in over-logging by wood and furniture industries. Gorrie aptly alludes to the views of environmentalists, published in *The Guardian* on 12 June 2012, claiming that extensive contamination of the soil by arsenic and heavy metals caused by overdeveloped industrialisation in China has far more serious and long-term consequences for the country than its water and air pollution. Gorrie arrives at the logical conclusion that because of the diminishing of arable lands due to soil contamination, China may soon be haunted by widespread famine.

Chapter 7 of the book is dedicated to the transition of leadership in the People’s Republic of China and Xi Jinping’s ascent to power. Here Gorrie directs much attention to the liberalisation campaign announced by China’s new leadership, in the course of which, for example, the ban on selling gaming consoles was lifted and the registering of new companies was made easier. But as the author rightly notes, Xi Jinping’s call to the new “never-before-seen” economic reforms is destined to abate, since he continues to stress the CCP’s leading position in the country, which basically means that the command economy continues under the label of “collective leadership”. Neither does Gorrie buy into Jinping’s appeal to fight against corruption, as in practice it does not seem to apply to local authorities. Mainstream press does not stop talking about the fall from power of the Chongqing party leader Bo Xilai, “a braggart and corruptionist”.

Chapters 8 and 9 again focus on the internal threats in China, the superpower, and very carefully touch upon issues related to Taiwan. Gorrie argues that regardless of the fact that China’s leaders publicise the country as “the land of the mighty Red Dragon” China, as an empire trembles in the fear of collapse because of the factors described in the preceding chapters. The riots of ethnic minorities in the Xinjiang province and Tibet also contribute, while fear and greed pervade China’s new leadership.

The concluding part of the book, in which Gorrie cites the brief argument by the leading Chinese economic observer Minxin Pei, has to be agreed with, without reservations. Pei writes: “Many factors that have powered China’s rise, such as the demographic dividend, disregard for the environment, super cheap labor, and virtually unlimited access to external markets, are either receding or disappearing. Yet China’s declining fortunes have not registered with US elites, let alone the American public.” Both Minxin Pei and the author of the reviewed book James R. Gorrie find that the US elites and the general public remain poorly informed about China and the nature of its challenges in the coming years. Indeed, the sentiment about insufficient information about China applies to the elites and ordinary people of other countries as well. The book at hand significantly contributes to correcting this void, presenting with its broad analysis a comprehensive overview of the current situation in China.

Unfortunately, the book is not exempt from certain misconceptions. Gorrie, for example, claims that China’s major banks are more powerful and better capitalised than US banks. However, already in the fall of 2012 massive amounts of money were drawn out of Chinese banks and many wealthy Chinese started purchasing real estate in Cyprus. This weakened the position of one of China’s largest commercial banks ICBC and the largest investment bank CICC. The current Chinese banking system is further compromised by the widely spread shadow banking, but unfortunately the author does not discuss this aspect in his book. James E. Gorrie also fails to mention China’s vast internal debt, generated by the chronic long-term underfinancing of local municipalities—the total debt of local municipalities currently amounts to 2.7 trillion US dollars. Also, the book has neglected to discuss the abruptly rising defence costs associated with the army’s extensive modernisation programme, which, being non-productive costs, considerably worsen China’s economic situation. As is known, China’s defence budget in 2013 amounted to the record-breaking 139.2 billion US dollars. The budget was planned on the initiative of the former leader Hu Tsintao, who also viewed Russia as the country’s main military objective due to its huge natural resources.

James R. Gorrie unfortunately does not touch upon Sino-Russian relations in his book. This is why it is important to add, relying on the information by the Russian political analyst or “technologist” Stanislav Belkovski, that at his 2013 meeting with Vladimir Putin, the new Chinese leader Xi Jinping formed a bilateral agreement on the new power relations in the world. According to this agreement, the US would be the potential common enemy of China and Russia and the Russian sphere of power encompasses the former republics of the Soviet Union (including Kazakhstan and the Kyrgyz Republic, which China finds

appealing) and entire Africa. The strike forces that were formerly concentrated along Russian borders are now said to be targeted on North Korea. China's submarine fleet (most of the submarines have been procured from Russia) are prepared to launch nuclear strikes against major US cities. Gorrie has also neglected to mention China's latest high-technological achievements, such as sending Change-1, China's first lunar orbiter, which also carried the rover Yutu, to the Moon in December 2013.

Next to the undoubtable strengths of the book, the readers may be slightly misled into thinking that China is moving towards its inevitable doom. This is not entirely the case. Xi Jinping has withdrawn the unlimited privileges of party and military leaders. The modernised CCP has abandoned the One Child policy. Also, local municipalities have been investigated by anticorruption commissions, etc. None of that is mentioned in the book. Perhaps these drawbacks stem from the fact that Gorrie has relied mainly on *The New York Times*, *The Economist*, and *The Guardian*, etc. as his sources, but these do not cover many of the radical decisions made by China's new leadership. Regardless of the few drawbacks given above, the book clearly reflects its author's extensive command of the topic and the fact that Gorrie is an analyst of strategic grasp, who can skilfully translate the complicated and conflicting China to masses.

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