

How the Conservative Revolution tried to destroy China

by Michael O. Billington

The following is an updated and revised article published in *EIR* on Feb. 14, 1992, entitled "The Real Crimes of Zhao Ziyang." It is useful now, in light of the current "Conservative Revolution" in the United States (see *EIR*, Feb. 17, "Phil Gramm's 'Conservative Revolution in America'"), to demonstrate that it is precisely the same individuals behind the current fascist assault on the U.S. Constitution who, during the 1980s, tried to turn China into a 21st-century version of a 19th-century British colonial hellhole. As the article demonstrates, Zhao Ziyang, the heir apparent to Deng Xiaoping until 1989, was functioning as a conduit for the policies of Alvin Toffler, Milton Friedman, George Soros, and others, all of whom are now highly publicized gurus behind House Speaker Newt Gingrich (R-Ga.), Sen. Phil Gramm (R-Tex.), and the rest of the Rush Limbaugh circus.

Gingrich, in particular, has paraded himself before the cameras as a "futurist," the term coined by Toffler to describe believers in his "Third Wave" version of anti-industrial fanaticism. Gingrich recently called for removing many welfare recipients from the rolls, regardless of need, while providing them with special credits to purchase lap-top computers, so they can join the Third Wave information society; perhaps he proposes that they turn to buying and selling derivatives on margin.

This insane image matches one from about 10 years ago proposed by Toffler himself, after one of his trips to China. Toffler argued that China was lucky to have avoided the "Second Wave" of wasteful, dirty industrial society, since it could thus pass directly into the Third Wave from the First Wave of agricultural society. The image he raised was that of a Chinese peasant knee-deep in the mud of his rice paddy, talking with his rice futures broker on a cellular phone. Such matters are laughable, but for the fact that fully 200 million Chinese are already unemployed, largely as a result of policies implemented under the influence of Toffler, Friedman, and their friends. Toffler's Third Wave future for these souls is that of a futurist Auschwitz.

In the period since the publication of this article, the Chinese government has been adopting policies which indicate a certain recognition of the danger inherent in the radical free-trade lunacies described here, and has learned a lesson

about "shock therapy" from the disasters now sweeping the Soviet Union and the nations of eastern Europe. Also, U.S. policy toward China under President Clinton has taken a dramatic turn from that of the Bush administration, which was in power when "The Real Crimes of Zhao Ziyang" was written. President Clinton's commerce secretary, on a mission personally representing the President last September, told the Chinese that the United States had "junked a 12-year tradition of *laissez-faire* government." Instead of emphasizing the setting up of process industries to loot China's cheap labor, Clinton advocates investments in major infrastructure and the promotion of high-technology U.S. exports into China, helping both the Chinese economy and U.S. industry. As the article demonstrates, this is not the policy advocated by the gurus of the Conservative Revolution crowd in the new Congress.

The article begins with a discussion of the more positive policy outlook of Hu Yaobang, whose influence was not superseded by that of Zhao Ziyang until the mid-1980s.

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The horror of the Cultural Revolution did not end until after the passing of the hated "Great Helmsman" Mao Zedong. The 10-year nightmare between 1966 and 1976 left millions dead, the collapse of much of the already sparse economic infrastructure, and a generation of young adults who had been deprived of their education. Between Mao's death in 1976 and early 1979, the factional fighting for succession was intense. The attempt of the Maoist "Gang of Four" to hold onto power without the protection of their would-be emperor was doomed. Mao's chosen successor, Hua Guofeng, expressed the total bankruptcy of morality and ideas among that faction by his infamous slogan for "Two Whatever's": "Resolutely defend whatever policies Chairman Mao has formulated, and unswervingly adhere to whatever instructions Chairman Mao has issued." With Mao dead and the Gang of Four, who carried out the holocaust in his name, arrested and imprisoned, such mindlessness could not survive. Deng Xiaoping, although he had run the oppressive Anti-Rightist Campaign in the late 1950s, attacking and

punishing thousands of party leaders and intellectuals for "political deviations," was himself targeted and imprisoned twice during the Cultural Revolution. In 1979, Deng consolidated leadership, and commenced what has been called "the reform." His longtime ally Hu Yaobang became head of the Communist Party, and Deng's chosen successor.

Hu Yaobang had risen to leadership as head of the Youth League in the 1950s. During the holocaust which began in 1966, he spent two and a half years in the "cow shed," a term which referred to the incarceration of those condemned as "monsters and demons" by the Red Guards. Following two more years at manual labor, he spent three years recuperating from a severe illness, during which time he intensely studied the ancient Chinese classics and reflected on his country's fit of bloody madness. Both he and Deng Xiaoping were rehabilitated in 1973, only to be purged again in 1976 until after Mao's death and the arrest of the Gang of Four later that year.

Hu gathered around him a group of young intellectuals and scientists. After his first rehabilitation, he prepared a report on the work of the Chinese Academy of Science which defended education against the insane closure of the universities imposed by the Maoists. "The Dictatorship of the Proletariat does not apply to science and technology," he said. He argued that "practice is the *only* criterion for truth," in his battle with the "Two Whatevers" idiocy of Mao's defenders. When it was argued by some that the reversals of the Cultural Revolution should not go so far as to directly contradict Mao himself, Hu countered with his own slogan, the "Two Regardlesses": "All that is not true and all that is wrongly concluded and wrongly handled must be corrected according to facts, regardless of when and under what circumstances it was done, and regardless of which persons at what levels did it."

After the final demise of the Gang of Four, he took responsibility for an attempt to eliminate every remnant of the Cultural Revolution. In 1978, he said: "There are more than 10 million cadres and ordinary people who need to be vindicated and rehabilitated. The corpses of some have long since turned to dust, but they have not yet been cleared of their alleged crimes as spies or special agents. Their families still bear this burden." Deng was ambivalent about pursuing the rehabilitation process too fast and too far, but Hu nonetheless hired 1,000 cadres to spread out across the nation to reverse every false judgment. Hu personally directed the de-communalization of agriculture after 1979, a policy which generated a dramatic recovery of agricultural production between 1979 and 1984. Hu's power was undermined in the mid-1980s, however, and he was replaced as party chief in 1987.

Zhao Ziyang, the New Age tool

A crucial, previously untold aspect of the defeat of Hu Yaobang's policies was the Anglo-American role in the spon-

sorship of Zhao Ziyang, who had emerged as the darling of the New Age, free trade, post-industrial society gurus in the United States and Britain. Exposing this fact today is crucial in preventing the destruction of China by the "shock therapy" tactics of the free-traders, as is now happening to the emerging free nations of eastern Europe under the direction of the Bush administration and International Monetary Fund economists. In fact, as we shall see, the same people who used their control of Zhao Ziyang to destroy any chance for a successful transformation in China are now in the forefront of the "shock therapy" destruction of eastern Europe, intent on preventing the emergence of a strong Eurasian-wide economic alliance.

Zhao Ziyang was the spokesman for the shock therapy lie that the only alternative to the failure of the Marxist centrally controlled economy was to throw open the nation to unregulated free trade—leaving room for discussion only on how fast this should be done. Hu Yaobang and a group of his collaborators explicitly opposed this policy, insisting that the Japanese model of directing credit into the development of agricultural and industrial infrastructure was necessary to assure the development of the physical economy and the uplifting of the population.

The first test between these two opposite approaches to reform developed over the creation of the Special Economic Zones (SEZs) in 1979. While both Hu and Zhao supported the creation of these zones, they disagreed as to their purpose and their structure. Originally, the zones were to be called "Special Zones for Export," which would encourage foreign investments in Chinese industry and facilitate expanding exports.

Hu warned that the zones could easily be turned into a revival of the old 19th-century colonial concessions if they were not used as a locomotive for developing China's own domestic industrial capacity. He denounced what he called the "two ends outside," referring to industries which imported raw materials and semi-finished goods from "outside" the country and merely processed them into exports, returning the product to the "outside." This, he warned, would simply utilize the cheap labor of a desperate Chinese population, without improving either the population or the national economy in the long run. The fact that these zones were set up in four of the same locations where the British had their opium-trading "concessions" in the 19th century contributed to the sense of potential disaster.

His warnings have proven all too accurate. Initially, the reform brought considerable relief from the economic collapse of the Cultural Revolution years, primarily due to the termination of the disastrous communalization of agriculture. Allowing the peasantry to run their own farms and raising the price paid to the farmers for their produce led to a rapid increase in grain production and an easing of the extreme destitution of the peasantry. But by 1984, the government had ended the special investments in agriculture, divert-

ing more and more funds to facilitate the needs of the growing process industries in the special zones. These zones, like colonial Shanghai, were boom towns for fast money, cheap labor, drugs, and a new, relatively rich elite, while the rest of the country stagnated and then fell back. Today the aging basic industry sector is bankrupt, the infrastructure in water, energy, and transportation has collapsed, the peasantry is increasingly marginalized, and well over 100 million redundant rural workers wander the country in search of subsistence—while the booming free trade zones are held up as proof of a successful economy!

Alvin Toffler's kookery

This was precisely what Deng Xiaoping and Zhao Ziyang's western backers intended. Perhaps the most revealing western influence on Zhao is that of Alvin Toffler, the popular cult "futurologist," author of *Future Shock* and *Third Wave*. Toffler is an unabashed advocate of the "post-industrial society," using pseudo-scientific jargon about the "information age" and technetronic society to justify the collapse of industrial society, and the death of millions of human beings that must accompany that collapse.

Zhao had Toffler's book *Third Wave* translated into Chinese and circulated to his associates and student followers. The book argues that the "First Wave" was agricultural society, the "Second Wave," industrial society, and the emerging "Third Wave" is the post-industrial services and information age. China, Toffler argues, is in the fortunate position of getting into the Third Wave without needing to pass through the industrial age, since the "pollution-belching smokestacks that the socialist world has made its first priority now represent the 'reactionary' past." Toffler describes industrial production and large infrastructure projects as "backward elements, when compared with the Third Wave, post-smokestack production systems that are now possible."

This mindless New Age apology for the collapse of investment in the physical economy was part of the popular cover for the 1980s binge of speculative looting in the United States, led by the junk bond boom and similar "post-industrial" swindles, creating the current depression. In China, it created a "theoretical" justification for scrapping any plans for achieving long-term development in favor of cheap-labor process industries which produced quick loot for investors. A *New Republic* puff piece on Toffler in China said: "Toffler assures the reformers that it's OK for Third Wavers to skip the Second Wave (industrialization) and to be making apparently only First Wave (agricultural) progress. The changes involved in the Third Wave, he says, 'actually resemble First Wave conditions: dispersion of the population out of the cities; more work in the home; small-scale production; linking rural development to high technology.' "

Zhao Ziyang not only bought this nonsense—he fought for it. When the conservatives attacked the Toffler book as

"spiritual pollution," Zhao called together a conference of scientists and party leaders to force the issue. He won, and the book was subsequently published for mass distribution, becoming a bestseller. The *New Republic* claims that the book was the bible for the young economists around Zhao, who formulated the policies for the Special Economic Zones approach. The think-tanks manned by Zhao's young followers, such as the Institute of Marxism-Leninism-Mao Zedong Thought, were rabid supporters of Toffler—Daniel Bell, Ilya Prigogine, and others of the systems analysis and information theory proponents tracing back to the Frankfurt School. Zhao brought a book list back from one of his trips to the United States, with titles by these and similar authors, such as Samuel Huntington and Norbert Wiener. He gathered his troops to translate and distribute them to all the college campuses in the country.

One of the books popularized during this period was the fraudulent *Limits to Growth*, published by the malthusian Club of Rome. The book used blatantly false statistics and incompetent computer models to "prove" that the emerging global depression was not due to bad economic and financial policies, but was due entirely to population growth and to industrial progress itself. As many as a million copies of this book in Chinese were circulated, advocating the intentional forced contraction in food production, industrial development, and population growth.

Such filth provided "theoretical" justification for the Chinese one-child policy, which has become even more coercive under Deng's years in power. Zhao Ziyang, among others, went beyond the demand for forced population control, advocating Nazi-style eugenics to "improve the quality of the population." This has led to the mass sterilization of those considered not genetically pure.

Some of Hu Yaobang's collaborators rightly viewed the Club of Rome as the enemy of civilization. For himself, Hu argued that the size of the population would not be a problem if the educational level of the entire nation were raised dramatically.

Hu offers a different approach

Hu Yaobang responded to Zhao's booklist by circulating another book with the opposite approach: *Japan's Decisive Century, 1867-1967*, written by Japan's first postwar prime minister, Shigeru Yoshida, a collaborator of Gen. Douglas MacArthur. Hu pointed especially to the emphasis on education, to the need to educate the population if any process of development were to be achieved, rather than exploiting only the unskilled brute powers of a backward population.

Yoshida directly compared the post-World War II economic recovery in Japan with the late 19th-century Meiji period, when Japan rapidly adopted western technology and emerged from feudalism as a major world power in a few decades. Hu pointed to Yoshida's emphasis on education,

with “equal opportunity to all,” as crucial to Japan’s success, both in the Meiji period and after the defeat in the Pacific War.

Economically, Yoshida insisted that the relaxation of regulations and controls was only possible after the application of “technological innovation . . . through increased investment in equipment, which would, in turn, raise productivity and increase the competitive power of Japan’s exports.” This technology-driven advance of productivity is the opposite of the cheap-labor policy of the special zones.

Yoshida insisted that while the foundation of an economy was still weak, it must “ensure that only those items that could be regarded as essential to the country’s rehabilitation would be imported.” Again, the “two outsides” policy of process industries followed the exact opposite approach.

Hu argued that these policies were essential to China’s successful modernization, and that the Chinese people were fully capable of such a transformation. He also concurred with Yoshida that a large and densely concentrated population “no longer constituted a problem—provided it represented an efficient labor force.”

“Reformer” Zhao Ziyang held the opposite view of the workforce, not significantly different from that of the discredited Maoists, which looked only to the value that could be extracted from the available bodies. They were backed up in this bestial view by the western monetarists who were pushing the “free trade” line. In May 1981, David Rockefeller chaired an international conference of the Trilateral Commission held in Beijing. At that meeting, Chase Manhattan Bank’s chief, William C. Butcher, told the Xinhua news agency that China’s reform would only succeed if they rejected large industry or great development projects in favor of labor-intensive production. Heavy industry and infrastructure, he said, “take two great things, a great deal of energy and a great deal of money, neither of which are abundant in China.”

The two opposite approaches to reform in China thus became identified with the Japanese method on the one hand and the Anglo-American free trade policies on the other. It is ironic that the Japanese economy had developed through the conscious application of the policies once known as the American System of Political Economy, as developed by Alexander Hamilton and his followers, while the policies pursued today [1992—ed.] by the Bush administration are exactly the opposite: the colonial policies of “free trade” associated with Adam Smith and British imperialism, against which the United States fought a successful revolution!

When major student demonstrations broke out in 1986 and 1987, the crisis was used to call a meeting of the elder statesmen, who demanded Hu’s resignation, as responsible for encouraging the unrest. In fact, Hu *was* partially responsible for the demonstrations, in the sense that he believed that public demonstrations were essential as a means of pre-

venting the reemergence of Maoist-style tyranny.

But the purge of Hu Yaobang was also encouraged by his supposed “fellow reformer,” Zhao Ziyang, who complained that Hu was interfering with his push for shock therapy economic policies.

Hu remained a Politburo member, but was essentially powerless. When he died suddenly in the spring of 1989, his death intersected a mounting rage in the population over political repression and the economic crisis. Hu’s funeral served as a catalyst for the mass demonstrations in Tiananmen Square which have irreversibly changed history.

Hu Yaobang warned that the Special Economic Zones, first proposed in 1979, could easily be turned into a revival of the old 19th-century colonial concessions if they were not used for developing China’s own domestic industrial capacity.

It is well known that when the demonstrations were crushed on June 4, Zhao Ziyang was generally held responsible for the “counter-revolution,” and removed from office. It is true that Zhao refused to support the original declaration of martial law preceding the crackdown (which had labeled the students as counter-revolutionary), and this is considered by the regime to be Zhao’s “crime.” He has not been officially charged, however, because his economic policies and his New Age connections in the West are still supported by the regime. In fact, it is these economic policies and connections in the West which constitute his real crimes. Were Zhao’s policies to dominate a post-Deng regime, or after a Soviet-style collapse of the Chinese Communist Party, the result would be a disaster, of the sort which has begun to unfold in Poland and threatens civil war and chaos in the former Soviet Union, under the Anglo-American “shock therapy” and free trade policies.

This is further demonstrated by Zhao’s embrace of the most extreme of the shock therapy gurus during the period between Hu Yaobang’s fall in 1987 and the Tiananmen events in 1989—Milton Friedman and George Soros.

Milton Friedman’s totalitarianism

Milton Friedman repeatedly visited China from 1981 through 1989, receiving various honors and broad circulation of his books in Chinese. His preference for the colonial days-of-old was apparent in his adulation of the British colony of

Hongkong as the perfect model of free enterprise, with no government intervention on the free flow of drug money, and no bothersome constitutional rights of the citizenry to worry about. In his meetings, including a well-publicized two-hour interview with Zhao in September 1988, "Chinese Milton" (as he was dubbed by his friends at William Buckley's *National Review*) proposed the idea of recreating the Hongkong experience all over China. This in fact became Deng's slogan in expanding the Special Zones along the coast: "Build many Hongkongs."

After the 1988 meeting with Zhao Ziyang, Friedman reported: "We have a good impression of this person and his wisdom. He has profound knowledge of economic problems and is determined to enlarge the scope of the market. He is willing to experiment and learn, and listen humbly to the suggestions and opinions of other people."

Zhao arranged for some of the young economists in the think-tanks associated with him to travel to Chile, another of Friedman's favorite "free economies." Chile's economy was set up by Friedman and his associates from the University of Chicago following the imposition of a military dictatorship in 1973. As the cases of Hongkong and Chile demonstrate, Friedman's form of "freedom" works best under a dictatorship or overt colonialism!

George Soros and Zhao Ziyang

Another primary sponsor of Zhao's policies was George Soros, a Hungarian-born billionaire who made his money as a Wall Street speculator. Soros has been a primary promoter and financier of the Jeffrey Sachs shock therapy in eastern Europe, with branches of his Soros Foundation in Hungary, Ukraine, Romania, and Russia. He has promoted various schemes to open up these nations to unrestrained looting by western speculators, while opposing the reconstruction of industrial infrastructure.

Soros is an ardent advocate of the Alvin Toffler style of "post-industrial" economics, "chaos theory," and other New Age quackery. He describes hydroelectric dams and steel mills built under Stalin as "pyramids built by a modern pharaoh."

This same George Soros financed the "Fund for the Reform and Opening in China" with the sponsorship of Zhao Ziyang. In fact, Soros considers a primary cause of the difficulties in Russia to be the lack of "an accomplished economist" like Zhao Ziyang, with his think-tank of "brilliant young intellectuals at his disposal."

The Fund for Reform and Opening in China helped "educate" some of the young economists around Zhao in radical free trade shock therapy. When Zhao was purged during the Tiananmen Square demonstrations in 1989, the fund was also shut down, amidst accusations of CIA connections. Soros is now trying to redeem his good name with Deng Xiaoping, according to his office in New York.

Argentina's battle for national development

by Carlos González

This speech was given by Mr. González, private secretary to former Argentine President Arturo Frondizi, to a conference of the Schiller Institute and International Caucus of Labor Committees in Northern Virginia on Feb. 20 (for a full report, see p. 54). The speech has been translated from Spanish.

It is a great honor for me to have been invited to this conference, entitled "Reason versus the Conservative Revolution," and it is a matter of great pride for me to represent the former President of Argentina Dr. Arturo Frondizi, who with full generosity and openness of mind, has given me the freedom to express my own ideas and thoughts without reservation.

But it will also prove an unforgettable experience to have attended a political-economic conference presided over by our great referent, Lyndon LaRouche, a conference convened by the clamor of poor and oppressed peoples. I share this fraternal moment with other brothers of our continent and other parts of the world. Our fight in defense of the underdeveloped nations and for the dignity of our children gives all of us here the right to assume, with no other credentials required, the representation of our respective countries—in my case, the Argentine Republic, land of the Liberator, Gen. Don José de San Martín.

During my presentation, I will try to describe for the friends present here the reasons and circumstances which brought Arturo Frondizi and Lyndon LaRouche together. Between them is a friendship sealed by adversity and by common objectives of actions on behalf of the happiness of mankind. Also, I feel obliged to briefly describe the history of an Argentina which was and has now ceased to be, because of those who hold that the concept of the nation-state must be eliminated. To this end, they have created non-governmental organizations which, in the words of a member of the Trilateral Commission, will help to do away with national sovereignties.

Frondizi's fight for national development

When Arturo Frondizi was sworn in as President of the country in 1958, he told his fellow citizens that Argentina