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- corporate greed is

By Jeffrey Sachs

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(CNN) — China is not an enemy. It is a nation trying to raise its living standards through education, international trade, infrastructure investment, and improved technologies. In short, it is doing what any country should do when confronted with the historical reality of being poor and far behind more powerful countries. Yet the Trump administration is now aiming to stop China's development, which could prove to be disastrous for both the United States and the entire world.

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China is being made a scapegoat for rising inequality in the United States. While US trade relations with China have been mutually beneficial over the years, some US workers have been left behind, notably Midwestern factory workers facing competition due to rising productivity and comparatively low (though rising) labor costs in China. Instead of blaming China for this normal phenomenon of market competition, we should be taxing the soaring corporate profits of our own multinational corporations and using the revenues to help working-class households, rebuild crumbling infrastructure, promote new job skills and invest in cutting-edge science and technology.

We should understand that China is merely trying to make up for lost time after a very long period of geopolitical setbacks and related economic failures. Here is important historical background that is useful to understand China's economic development in the past 40 years.

In 1839, Britain attacked China because it refused to allow British traders to continue providing Chinese people with addictive opium. Britain prevailed, and the humiliation of China's defeat in the First Opium War, ending in 1842, contributed in part to a mass uprising against the Qing Dynasty called the Taiping Rebellion that ended up causing more than 20 million deaths. A Second Opium War against Britain and France ultimately led to the continued erosion of China's power and internal stability.

Toward the end of the 19th century, China lost a war to the newly industrializing Japan, and was subjected to yet more one-sided demands by Europe and the United States for trade. These humiliations led to another rebellion, followed by yet another defeat, at the hands of foreign powers.

China's Qing Dynasty fell in 1911, after which China quickly succumbed to warlords, internal strife and Japan's invasion of China beginning in 1931. The end of World War II was followed by civil war, the creation of the People's Republic of China in 1949 and then the upheavals of Maoism, including millions of deaths from famine in the Great Leap Forward, which ended in the early 1960s, and the mass destabilization of the Cultural Revolution and its aftermath until 1977.

China's rapid development on a market basis therefore started only in 1978, when Deng Xiaoping came to power and launched sweeping economic reforms. While China has seen incredible growth in the past four decades, the legacy of more than a century of poverty, instability, invasion and foreign threats still looms large. Chinese leaders would like to get things right this time, and that

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China is now the second-largest economy in the world, when GDP is measured at market prices. Yet it is a country still in the process of catching up from poverty. In 1980, according to IMF data, China's GDP per capita was a mere 2.5% of the United States, and by 2018 had reached only 15.3% of the US level. When GDP is measured in purchasing-power-parity terms, by using a common set of "international prices" to value GDP in all countries, China's income per capita in 2018 was a bit higher at 28.9% of the United States.

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China has roughly followed the same development strategy as Japan, Korea, Taiwan, Hong Kong and Singapore before it. From an economic standpoint, it is not doing anything particularly unusual for a country that is playing catch up.The constant US refrain that China "steals" technologies is highly simplistic.

Countries that are lagging behind upgrade their technologies in many ways, through study, imitation, purchases, mergers, foreign investments, extensive use of off-patent knowledge and, yes, copying. And with any fast-changing technologies, there are always running battles over intellectual property. That's true even among US companies today -- this kind of competition is simply a part of the global economic system. Technology leaders know they shouldn't count on keeping their lead through protection, but through continued innovation.

The United States relentlessly adopted British technologies in the early 19th century. And when any country wants to close a technology gap, it recruits know-how from abroad. The US ballistic missile program, as it is well known, was built with the help of former Nazi rocket scientists recruited to the United States after World War II.

If China were a less populous Asian country, say like South Korea, with a little more than 50 million people, it would simply be hailed by the United States as a great development success story -- which it is. But because it is so big, China refutes America's pretensions to run the world. The United States, after all, is a mere 4.2% of the world's population, less than a fourth of China's. The truth is that neither country is in a position to dominate the world today, as technologies and know-how are spreading more quickly across the globe than ever before.

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Trade with China provides the United States with low-cost consumer goods and increasingly high-quality products. It also causes job losses in sectors such as manufacturing that compete directly with China. That is how trade works. To accuse China of unfairness in this is wrong -- plenty of American companies have reaped the benefits of manufacturing in China or exporting goods there. And US consumers enjoy higher living standards as a result of China's low-cost goods. The US and China should continue to negotiate and develop improved rules for bilateral and multilateral trade instead of stoking a trade war with one-sided threats and over-the-top accusations.

The most basic lesson of trade theory, practice and policy is not to stop trade -- which would lead to falling living standards, economic crisis and conflict. Instead, we should share the benefits of economic growth so that the winners who benefit compensate the losers.

Yet under American capitalism, which has long strayed from the cooperative spirit of the New Deal era, today's winners flat-out reject sharing their winnings. As a result of this lack of sharing, American politics are fraught with conflicts over trade. Greed comprehensively dominates Washington policies.

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to make American society fairer.

Trump is lashing out against China, ostensibly believing that it will once again bow to a Western power. It is willfully trying to crush successful companies like Huawei by changing the rules of international trade abruptly and unilaterally. China has been playing by Western rules for the past 40 years, gradually catching up the way that America's Asian allies did in the past. Now the United States is trying to pull the rug out from under China by launching a new Cold War.

Unless some greater wisdom prevails, we could spin toward conflict with China, first economically, then geopolitically and militarily, with utter disaster for all. There will be no winners in such a conflict. Yet such is the profound shallowness and corruption of US politics today that we are on such a path.

A trade war with China won't solve our economic problems. Instead we need homegrown solutions: affordable health care, better schools, modernized infrastructure, higher minimum wages and a crackdown on corporate greed. In the process, we would also learn that we have far more to gain through cooperation with China rather than reckless and unfair provocation.