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# **Totalitarian Accounting and the Trumpian Risks**

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# TOTALITARIAN ACCOUNTING AND THE TRUMPIAN RISKS

## ABSTRACT

The research takes a discourse analysis approach to the bilateral information of mainland China and the United States, with a focus on how the economic game will lead to in relation to geopolitics. With the law of supply and demand and the characteristics of the Chinese socialist economy, the research analyzes the totalitarian regime's possible future impacts on the free economy that consists of the majority of the globalized economy. The research concludes that Donald Trump's policy agendas pose a tremendous risk for global security with the key game played out in the futures field.

**Keywords:** futures; financial crisis, geopolitical risks, broad money, securities.

## 1. INTRODUCTION

Upon inauguration, Donald Trump swore to end the wars that were close to World War III, even when Israel were already reaching ceasefire deals and the Ukrainian front reached a favorable status quo. Combined with the Chinese power structure characteristics and the law of supply and demand, I argue that Trump's withdrawal from the Paris Agreement and turning into the proliferation of crude oil production will escalate geopolitical conflicts to a degree more than what it has been [1].

There is no established causal theory between oil prices and geopolitical conflicts, but the correlations are widely acknowledged. The source type of energy, technological designs of war machines, cost efficiency of energy harvesting, etc. are a complex chain imposed on decision-making, and the demand for crude oil is consistent with these factors and impacts on the commodity supplies [2]. The phenomenon reflects a purchasing power imbalance between the armed forces and the mass economy. Such an

imbalance is hypothesized to be influenced by power political players. Moreover, one common omission in these correlative studies is the futures market on crude oils, if not taking fixed and float exchange rates into consideration [3-5]. Recent advancement in focus delved into the offshore realm [6-8], but the problem resolutions between the free economy and totalitarian ones are far from being properly solved.

The research adopts textual analyses on the accounting laws of People's Republic of China (P.R.C.) as an example for qualitative analysis. A totalitarian model based on coercive factors is proposed, especially with the "national credit" system building being intensively applied in the regime for the last ten years or so. The research find that national monopoly on supplies has not changed even with the "reform and opening" policies started in the 1990s in mainland China, and only changed forms with rhetorics and the applications of new control technologies. Such a system creates a loophole for macro-money issuance and influences the offshore realm, and is analyzed to be the source of the Chinese global political strategic tactics [8]. With the state enterprises' access to the free economy, the research concludes that the Trump administration's agendas to withdraw from the Paris Agreement and to increase domestic oil production will create tremendous risks for intensified global geopolitical conflicts with the lowered threshold for crude oil accessibility in a mid and long term.

## **2. METHODS**

Both online and offline search methods are adopted to gather relevant information. From the online searches with Google and Baidu with both English and Chinese language, not only there is a specific accounting law of P.R.C., a set of specific law on certified public accounts also exists [9]. From the initial version of the accounting law issued on January 21, 1985, it has experienced four revisions to the latest one issued on June 28, 2024 [10, 11]. The continued education materials in the National Unified Service Management Platform for

Accounting Personnel are also referenced for some key information, such as that the laws involving accounting are not only strictly defined in the one set of law, but are also codified and scattered in other written laws such as the criminal law. The national qualification exam for accounting textbook for economic law basics is also referenced and analyzed.

### **3. RESULTS**

Accounting played a critical role in the Communist Party's civil war against the Kuomintang. In Article II of the 1985 accounting law in the general provisions, the applicable entities were constraint to state enterprises and institutions, government agencies, public organizations and armed forces, however, Article I laid the foundations for later revisions with the clause of "protecting socialist public property, strengthening economic management and raising economic results".

In the 1993 revisions, the private economy and other organizations dealing with accounting matters were included into the applicable entities by Article II. The rationale is similar to the Political Reforms of Shang Yang during the Qin Dynasty in China in 350 B.C., where all of the conquered states' economic and physical measurements were unified for easier control and taxation through brutal power. The exam textbook subtly raised the scholarly debates with the principles of Roman laws that should the private economy be categorized into the public areas of law [12].

The 1999 accounting law further strengthened the social control by the state power. In the general provisions, Article I tightened the control to "ensuring the truthfulness and completeness of the accounting materials, strengthening economic management and financial control, raising economic results and maintaining the order of the socialist market economy". The wordings of "market economy" and "financial control" are apparently self-contradictory with the "invisible hand" doctrine. Furthermore, the record-keeping regulations

essentially opens room for destroying governmental corruption records with a two-year window by the aggregation of financial reports, while economic institutions are strictly mandated to keep all detailed original records for 30 years [13].

The 2017 revision only needed to “enhance economic management and financial management in order to boost economic efficiency to maintain the market economy orders of the socialist economy”, and implicitly categorized the private sector into “other organizations (hereinafter companies)” [14]. The legal responsibilities strictly defined the accessibility of original certificate and vouchers, apart from the mandatory state-accessible accounting ledger and banning of private accounting ledger. The change of accounting methods is also considered an offense. Article 162 of the P. R. C. Criminal law also explicitly listed the criteria for sentencing imprisonment and fines with regard to the accounting accuracy of companies.

The latest 2024 revision upraised the punishment measures. The companies’ relevant fines have increased to 50-fold and 20-fold for individuals. Only the criminal sentencing thresholds have been ambiguous with the arbitrary court orders in the system. The coercive measures are also supplemented by the national credit system, and anyone who disobeys is barred from the system and society. The mandate of the sole functional currency for companies in P. R. C. further marginalize other currencies with the strict supply monitoring and fixed exchange rate.

#### **4. DISCUSSIONS**

The P. R. C. socialist economy is modeled in Figure 1 according to the information. From the model, it can be inferred that the over-issuing of macro-money of P. R. C. over the years disproportional to its industrial base is a leverage on the specific system’s unitary power over the multilateral system [8,

15]. Such tactics, however, overlooks or purposefully neglects the impact on the domestic purchasing power parity from the offshore RMB's price turbulence.

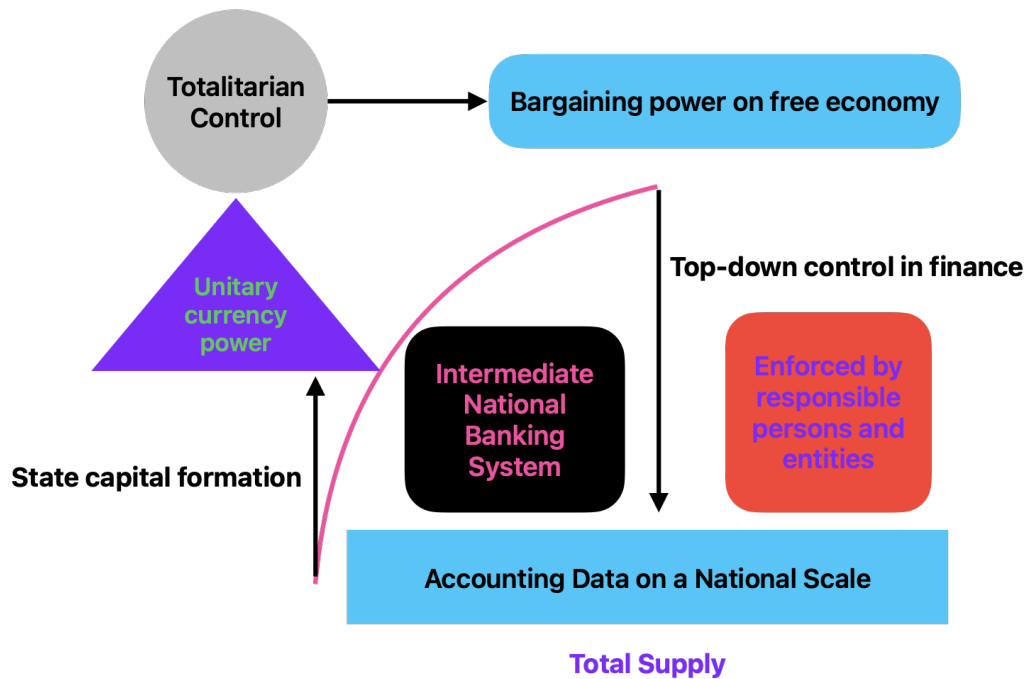


Figure 1 The Chinese Socialist Economy Model from Accounting Law Inference

After the Chinese Communist Party state's takeover and control of Macau and Hong Kong, its unitary power ambitions on territorial geopolitics remain with the democratic Taiwan. From the Cold War on, geopolitics have been played out with the combination of outer space technologies and on-the-ground combats [16]. Crude oil has been the key energy source for the game to be played out. Recent years' regional conflicts around the globe have peaked the oil prices due to demand (or command in the sense of power imbalance between the military and civil economies), and there will be no real winner with nuclear wars.

Climate change is only a minor harm in the short and mid-term with Trump's agendas of pulling out of the Paris Agreement. Trump's real agendas after getting off the constraints from the Paris Agreement are on the unrestricted drilling and production of crude oil, while the oil price is on the peak. The policy

tendencies, according to the law of supply and demand, will only drop the anticipations for crude oil futures. The bearish trending crude oil market will then lower the economic and financial threshold for geopolitical players' accesses to the critical energy source with a matter of time played out by the short-selling and going-long games in the futures market.

## **5. CONCLUSIONS**

The incremental power intrusion into the civil and private economy by the Chinese Communist Party state through accounting law and its revisions is evidenced with deteriorating trends with its "Reform and Opening". It has shaped the basis of the Chinese socialist economy ensured by the strict accounting laws. Donald Trump's intentions to get rid of the Paris Agreement for crude oil production have given advantage to the totalitarian and fixed exchange rate economy of China to manipulate the futures market on crude oil, for the purpose of geopolitics, space race, and ultimately, power politics.

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## **CONFLICT OF INTEREST**

The author declares no conflict of interest.

## **DATA AVAILABILITY**

Only textual data is used in the research.



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