

inject the capital into their Hong Kong subsidiaries at far below market prices. A large chunk of the difference becomes stock or deposits of the Chinese managers in their phony Hong Kong fronts.

Finally, part of the capital becomes re-invested back into joint ventures on the mainland, thus giving them a tax-free ride. The scheme reduces not only genuine foreign investment in the mainland, but also government revenues. Or, going beyond that, Hong Kong companies engineer deals to turn over ownership rights, and become the holding companies of mainland enterprises. This puts the managers of mainland companies on the boards of directors of both sides—with top job security, since, as long as the reform policy remains, no one is able to fire these communist bureaucrats.

This explains why the newly rich, corrupt communists are so zealous about joint ventures and privatization. It may be a true tale that in 1989 George Soros was accused of being CIA-connected and was kicked out of Beijing after the Tiananmen Square massacre; but now China has lured swindlers from Hong Kong—so-called “overseas Chinese patriots”—to skim and share the best part of the pie.

### ‘Malmarmaoism’ can’t save China

“Farmers may rebel!” This possibility has the Chinese Communist Party quaking in its boots, and they have issued a 36-point policy to try to ease tensions in the countryside. Many peasants live no better than their exploited grandparents did in the 1930s, and the enraged laborers, whom Mao led against the Nationalists, may become the major force for creating the potential to overthrow a regime which has already fooled them once before.

To counter this, Beijing is attempting to restore the system of militia among the workers and peasants on the one hand, and on the other hand claims it is combatting corruption and decadence among ranking party leaders—a move to stop those who trade in power now, but to allow their underlings to come into power later.

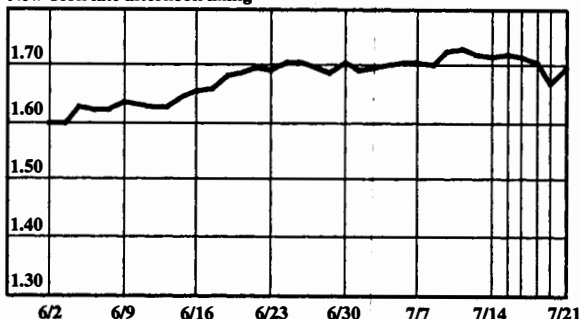
With the worship of money emerging as China’s new religion—based on the same corrupt image of man as that of the communists—China is doomed, whether it sticks with the communists or turns to the monetarists. The only difference between Mao Zedong and Deng Xiaoping, is that Mao claimed that “power comes from the barrel of a gun,” whereas Deng now believes that power can also come from a pile of cash. Deng’s regime makes deals with “red capitalists” and calls it a “socialist market economy” with Chinese characteristics—his unique modern blend of “malmarmaoism” (a mixture of Malthus, Marx, and Mao)—equivalent to the ancient Taoist legalism that ended many Chinese dynasties disgracefully in past centuries.

The drama of Chinese history of today is digging a gigantic grave for communism—but it could end in a terrible tragedy, sacrificing millions of lives, unless the Confucian “way of commonwealth,” in the tradition of Sun Yat-sen, prevails.

## Currency Rates

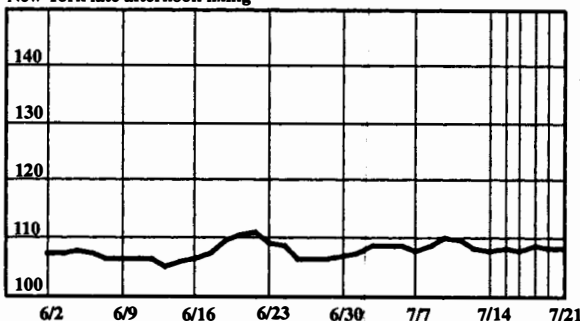
### The dollar in deutschemarks

New York late afternoon fixing



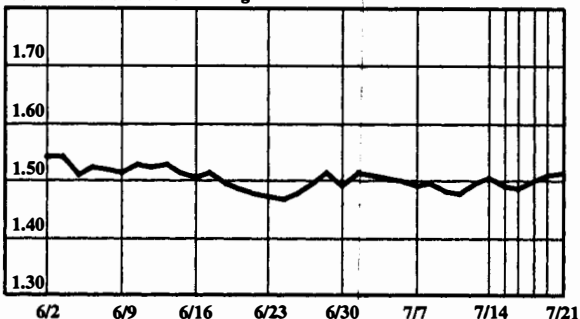
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

