manded that the government "eliminate all the rules and regulations" concerning currency controls and other areas of government intervention. The U.S. Treasury Department on Nov. 24 also denounced China's regulated exchange system as "manipulating currency rates for its own advantage." The fact that such deregulation policies implemented in Russia and in Third World nations have allowed for massive flight capital and the outright theft of national resources by international speculators, is ignored in these discussions.

In fact, discussion of a "big bang" approach to the reforms, or "shock therapy," has increasingly come into the debate on the future of reform. Until recently, such terms have been carefully avoided in public pronouncements, in order to maintain the impression that the "China model" would not follow the disastrous course of the "shock therapy" in eastern Europe. Even while Russia has now experienced its own "Tiananmen massacre" under the guise of the enforcers of the International Monetary Fund's (IMF) "shock therapy," the western financial press gloats that Chinese officials are increasingly open to the idea that the problems in the economy are the result of going "too slow" in eliminating all government direction of the economy, and that shock therapy is necessary. Deng Xiaoping, from whom a single word can transform national policy, said just before the plenum that "slow development is not socialism," which could well be enough to end all caution and unleash a new "shock" of deregulation.

Such shock therapy is already being implemented in regard to the work force. Millions of workers in the state sector, including mining, industry, and state office employees, have been laid off, ending the cradle-to-grave "iron rice bowl" policy of the Maoist era, but without replacing it with any unemployment net. The victims simply join the "blind flow" of nearly 200 million unemployed who supply the recycled labor for the sweatshops in the free trade zones (see box). Beijing has also reintroduced wage controls, which had been relaxed as part of the reform measures, and which allowed partial autonomy for state enterprises. State enterprises which have had decreasing profits are instructed to either fire workers or reduce wage scales, ignoring the lack of infrastructure which renders individual firms incapable of reversing their financial losses.

Hamiltonian banks mooted

One reform which appears to be ready for implementation next spring points in the direction of a Hamiltonian solution to the credit crisis. Based on the Ministry of International Trade and Industry (MITI) model in Japan, China will establish three "policy banks," one for agriculture, one for long-term credit and development, and one for import and export. These banks would be separate from the People's Bank, and would be able to direct credit toward productive activity as demanded by the needs of the national economy as a whole. There is an internal debate over the question of the source of funds for these policy banks. The director of the Financial Research Institute of the People's Bank told the *Wen Wei Po* on Nov. 2 that the only source of new funds would be either issuing state bonds, thus further aggravating the debt situation, or "granting a certain amount of loans by the central bank," but he added that there is opposition to the latter.

The generation of such new credit by the government would, as Alexander Hamilton's policies did in the United States, provide the basis for launching the massive transformation necessary to avert a breakdown, if China were to reverse its *current* destructive labor policy, and *if* the new credit structure rejected the free-trade, service economy ideology of the IMF in favor of massive energy and infrastructure development, utilizing the most advanced technologies.

It is extremely unlikely that such a transformation will, or even would, take place under the current Communist Party leadership. It is now a question of which comes first: an internal breakdown in the People's Republic, or a crash of the "China bubble" in Hongkong.

Slave labor in China

EIR's reference to the "China model" as a slave-labor policy was confirmed in blood last month when a doll factory in Shenzhen, the leading trade zone across from Hongkong, burned to the ground, killing 81 people who were "locked into a cage-like workshop," according to the official *China Daily*. The firm, owned and managed by a Hongkong firm, had locked three of the four gates and covered the windows with heavy wire mesh. The Shenzhen fire chief told *China Daily*, "The purpose of the cage-like workshop is to prevent workers from stealing the products. However, people working in it can hardly escape."

Almost all the workers were women migrants from Sichuan province in the interior, part of the 200 million "blind flow" who are recycled through the sweat shops in the free trade zones.

The conditions in the plant were neither unknown by the authorities nor uncommon. Officials who had inspected the plant in March had merely notified the manager of safety improvements which were needed, with no subsequent followup.

A disaster in Thailand last May, also in a Hongkong-owned doll factory, differed only in that the workers were not caged in. When 188 workers were killed in that fire, the responsible Hongkong company, Kadar Holdings, was purchased, the *next week*, by a group of Hongkong and Beijing investors, including the son of Deng Xiaoping.—*Michael Billington*