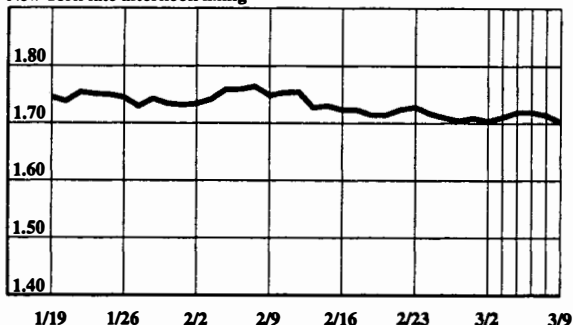


Currency Rates

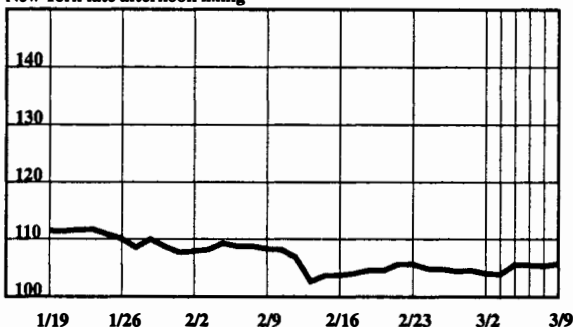
The dollar in deutschmarks

New York late afternoon fixing



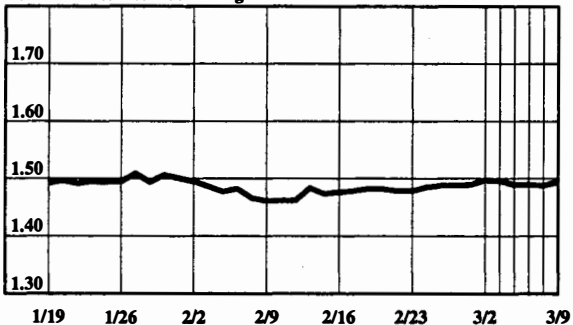
The dollar in yen

New York late afternoon fixing



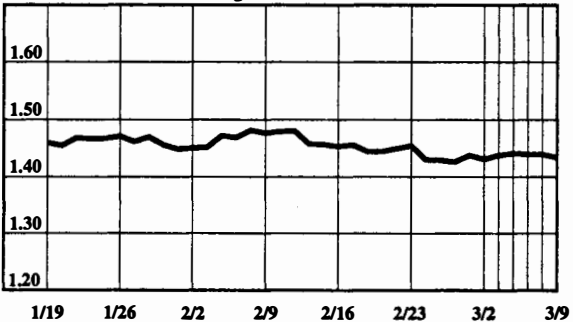
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Plight of China's coolie labor worsens

by Michael Billington

The annual flood of unemployed peasants into mainland China's coastal cities, which peaks after the Spring Festival of the Chinese New Year, has again presented the world with the reality behind the China boom: Without the continual "blind flow" of about 200 million desperate peasants into starvation-wage jobs, the inevitable bursting of the worldwide speculative financial bubble would come sooner rather than later. Jeffrey Sachs, the Harvard economist who is sponsored by mega-speculator George Soros and his colleagues, and whose "shock therapy" has driven Russia and its neighbors into economic disaster and civil war, offered the following analysis of why China has been "successful" while Russia has not: "Tens of millions of impoverished peasants . . . are happy to work long days at 15¢ per hour producing Radio Shack alarm clocks, since the alternative back on the farms is even more desperate."

Yet, those who are advising the People's Republic of China government on economic policy from Hongkong, London, and New York, and who are running an increasing portion of the economy themselves, are complaining that wages are still too high! The Hongkong and Shanghai Banking Corp.'s economist Benny Chiu opined to the *Asian Wall Street Journal* that "abundant labor really should have meant lower wages." Productivity, he complained, has barely changed over the boom years, since the growth has come from increasing the scale of production rather than the technological level of production. His solution to the productivity problem is not to increase the technology, but to lay off millions of workers.

30 million jobs will be lost

The chief economist for Lehman Brothers in Asia, Miron Mushkat, told the *Journal* that if China "restructures" state sector industry as it is being told to do, as many as 30 million industrial workers (this is about one-fourth of the entire industrial work force) will lose their jobs *this year*. Goldman Sachs chief economist Jan C. Lee added that this restructuring will *not* lead to an expansion of production, but rather to a contraction. The Wall Street investment firms Lehman Brothers and Goldman Sachs have been in the forefront of the New York investment banks, which are funneling billions of dollars of U.S. mutual funds, pension

funds, and private funds into the Chinese cheap labor and real estate bubble.

The *Wall Street Journal* believes that throwing millions out of work would be a dramatic improvement; but the paper's owners are worried that Beijing may try to keep the unemployed alive. The *Journal* reports: "Beijing already is crafting unemployment programs and other costly social-welfare nets that economists say will impair the fiscally beleaguered government's ability to invest in new infrastructure and other productivity-enhancing areas, such as education. Major projects, including some badly needed power plants, are on hold."

Even the affected concern for infrastructure and education is less than genuine. The various International Monetary Fund and World Bank advisory studies make clear that the only infrastructure investments they want are those that are "cost-effective" in the short term, meaning those that supply the coastal export zones—not the development of the vast interior, as any sane infrastructure plan would require. As to education, it is increasingly left to local financing, which is leading to a decrease in the rate of children in school—a problem acknowledged by Beijing.

Dope, Inc. opens offices

These financial wizards, from Wall Street and London's HongShang, who have brought the western economies into total collapse through a transformation out of production and into junk bonds and derivatives speculation, are now setting up their new offices in China. The old China hands from the days of the British East India Company drug trade and gunboat economy are even reopening their old offices on the Bund in Shanghai. The HongShang is reportedly re-purchasing its landmark colonial headquarters for \$50 million, while Jardine Fleming, Standard Chartered, and the other British opium traders are following suit. A more telling symbol of the disaster facing China is hard to imagine.

In addition to the vast unemployment, China's peasants are facing stagnant incomes and an inflation-driven collapse of their savings, which play a critical role in Chinese culture. Inflation rates of over 20% have continued, despite major national efforts to contain speculation and inflation last spring and again in January. Agricultural production is suffering badly, especially cotton production. A collapse of cotton output by 20% in 1992 and another 12% in 1993 has shut down thousands of textile mills, and has forced Beijing to import cotton, usually a major export.

Tractors lacking

An indication of the cause of this problem is seen in the production statistics for Chinese industry for 1993. Despite enormous rates of increase in the export-oriented areas, the production of tractors collapsed by 35.3% from 1992, to a mere 37,000 tractors for 450 million working peasants.

One particularly disgusting aspect of the worldwide hype

about the China model, comes from the sleight-of-hand of the World Bank, which last year implemented a new method of calculating the Gross Domestic Product (GDP) of Third World countries. The method imposes a worldwide value on commodities and services, and then appraises per capita income based on this global value of goods and services, rather than on the actual price paid in each nation. GDP is then calculated by multiplying this concocted average "income" times the population. China thus leaped overnight from being the eleventh largest economy in the world, to third place!

How this is used is shown by this passage from an article in *Foreign Affairs*, the journal of the New York Council on Foreign Relations, for November-December 1993, by Nicholas Kristof, who covers China for the *New York Times*: "China is much wealthier than statistics often show. Officially, per capita GNP is still only about \$370 per year, but this figure is not very meaningful. The World Bank this year used two different approaches to purchasing power parity to derive GDP figures at internationally comparable prices. One method resulted in per capita GDP of \$1,680, the other of \$2,040. Because the data are of poor quality, the only thing that is certain is that the Chinese live much better than the official statistics would suggest."

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