

EDITOR'S STATEMENT

Since our last edition was published many important things have happened in the world. I will only mention a few because of their relevance to our Journal. First was the visit of Chinese President Hu Jintao to the US in January 2011. He was constantly peppered with the same old questions by the American press. Reporters continuously asked about “human rights and currency manipulation”. President Hu insisted that these were domestic political matters and therefore China’s business and no one else. On this we agree with him. Each country has its own laws and determines what is acceptable in their domestic politics. By our standards China does not have a very good record in human rights as we define it. But our definition is not the same as China defines it. As an example they see the most basic human right is to three meals a day. On this matter China is doing reasonably well. In a country where starvation has a long and recurring history, this is a matter of significance. We as a country have never really faced such situations so we take food for granted. We even destroy food to keep up farm prices. The most current Chinese abuse of human rights as we see it deals with Nobel Prize winner Liu Xiaobo. China would be wise to release him and let him go into exile, preferably to the US where he would soon drift into academic obscurity. This would not cure the situation but it will relieve a current sore spot in China’s image with the west. In light of having been awarded a Nobel Prize does not make it any easier for the Chinese government to release Liu but it would be wise to do so. We stand to help this matter in any way we can. The same can be said for China and its currency. We did not ask China’s permission when we decided to stimulate our economy first with a wasteful one billion dollar stimulus package in the hope that antiquated Keynesian aggregate demand management would ignite our economy and cure our current recession. Next our Federal Reserve began simply creating more money by buying bonds with borrowed money to stimulate our economy. These two measures have had mixed results but we did so because our government thought it would work. Other countries objected to the inflationary aspects of both actions but we still went ahead and did it. This raises the question whether or not any major country should act unilaterally regarding its currency or should it consider the impact on the other countries with which it trades or does business. China in a single generation by acting in its own interest has economically raised about 20% of its vast population out of poverty and improved living conditions of about half of its 1.3 billion people. So from their own point of view they must be doing something right. This represents the greatest anti poverty program in the history of the world. Compare it to our war on poverty. The question is whether they would have been as successful if they followed our advice regarding currency values. Taking our advice has not always worked. Look at Japan, we advocated the Keynesian spending program as a means of stimulating Japan’s economy. Our Keynesian solution did little but raise Japan’s debt. They would have been better off ignoring US economic advice and following their own home grown economic suggestions. China has been successful following their own currency standard and permitted a gradual increase in the value of the renminbi (their currency).

There is another major issue, a more current one which deserves comment and which deals with the Middle East rebellion against Egyptian President Hosni Mubarak. Apparently a segment of the Egyptian population is tired of his rule after 30 years. This is understandable but the main issue to us is who will replace him and will his replacement remain a US ally. At this time the likely successor appears to be a Kerensky-like figure, Mohamed elBaradei. A man who

has very little if any domestic supports in Egypt and probably does not want to live in Egypt. If he is appointed or elected head of state he will probably be ousted in six months (at most). Then what? Probably turmoil. It is interesting that the countries facing domestic turmoil, Egypt, Jordan, Tunisia and Yemen are all US allies to one degree or another. Is this an accident of chance or is something behind it? It is likely that there are root causes that are seized upon by organized forces like the Muslim Brotherhood in conjunction with anti-capitalist groups from outside the Middle East. Only one thing needs to be said and that is Mr. Mubarak deserves support from US for his years of advancing the US position in Middle East where we have few other friends. Instead a feckless US administration seems to ready to cut him adrift. He deserve better.

In terms of the contents of this edition of the Journal we begin with an article dealing with stress testing of Chinese banks a relatively new concept in China. The second piece is a comparison between the education systems of China and India. Neither of which are worth very much. It is a good thing for both countries that we provide higher education for them. Both China and India fail to provide adequate financial support for primary and secondary education. This will eventually cost them in terms of their economic development which is their highest priority. We follow this up by looking at China's energy industry an all important aspect of economic development. We follow this with a study that looks at the relationship between transportation and economic development in the Yangtze area of China. One of the surest but less discussed commodities in China is water. The socialist ethic that governs China does not price water according to its availability but rather ensures its availability for everyone therefore price is low thus encouraging more usage. The next piece looks at some of the new (for China) concepts for water utilization. We then follow with the 9th chapter of the Historical Status of China's Tibet.

We then take a new path for the Journal. We publish a book review by the author's of their own book. We consider the issue of economic growth to be a very important one. A new book in Polish is such an important one but will probably be a few years before it is translated into English. We had the authors write their own review which we translated into English. This is an important book because it is written by the main proponent of the "shock therapy" that took Poland from the Soviet control dirigist Polish economy to the free market where Poland has had a slow but steady record of growth including through the current world recession. We think the authors are worth listening to. Finally we conclude with a comparison between China and its rapid growth and slower Polish economy.

This has been a longer than usual editor's statement but these are trying times and we hope to add our thoughts to the times.

This edition is dedicated to the memory of our former member of Board of Directors Major General Bruce Jacobs who died in January 2011. Bruce wrote an article in the first edition of this Journal Spring 2006. We will miss him.

Bernard T. Pitsvada, Editor