

demanded the end of lifelong tenure for civil service employees, bragging that they would dump another half a million people into the gutter.

Conserve grain

The government's public pronouncements assure the world that despite the severe floods of the summer, the harvest will be adequate for the needs of the population. However, a dramatic increase in grain imports which the government can ill afford, and the preoccupation with the grain problem at the just completed plenum of the CP Central Committee, indicate a serious problem.

The plenum, held in almost total secrecy, decided to implement a "mixed" system of communal and family farming. The government has gone to great lengths to assure the world that there will not be a return to the failed communal farming system that led to millions of deaths by starvation under Mao Zedong's bloody reign. But, in fact, that is the direction of policy. During the summer floods, the decayed state of the water conservancy and irrigation systems of the country caused massive unnecessary death and destruction. Rather than learning the awful lesson of neglecting infrastructure as a national priority, the regime blamed the peasants. The solution: Groups of peasant families or small villages will be held collectively responsible for the water and irrigation projects, while retaining the family contract system (allowing them to market their own product over a set government quota).

The point is that no new investments are to be expected for the precarious agriculture sector. Since new investments in agriculture collapsed in the mid-1980s to accommodate the free trade zone policy, there has been a net decrease in grain production per capita. The government solution is like Jimmy Carter's energy program: use less. A Maoist-style national campaign to "cherish and conserve grain" has been launched, geared to restricting grain consumption. The government even announced that squads have been deployed throughout the country to bludgeon dogs to death in order to save grain! The official *Workers Daily* reported: "Dogs eat a kilogram of grain per day, twice as much as the average Chinese. The grain supply can't meet the demand posed by dogs." China has about 100 million dogs.

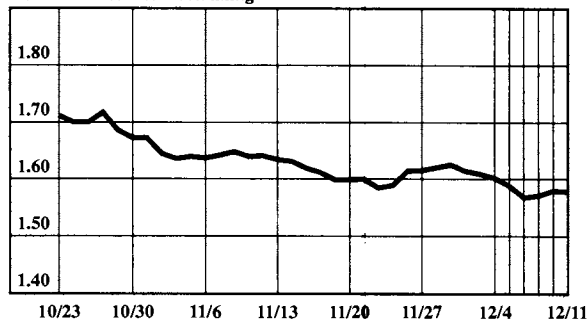
In a similar sign of desperation, the government issued a circular to "prevent the expected surge of feasting to celebrate the New Year and Spring Festival by either central or local government officials." They plan to check up on officials to stop this "unhealthy trend."

Perhaps the most telling sign of the threat of instability is the announcement of a new series of trials of students and workers involved in the Democracy movement, despite the public effort to assure the world of Beijing's concern for human rights. As the economy unravels, the continued use of terror to control the population will not long suffice to contain the explosion.

Currency Rates

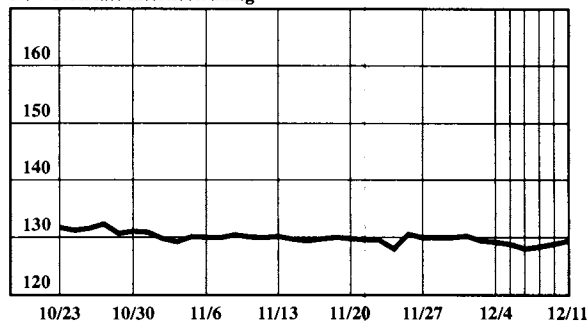
The dollar in deutschemarks

New York late afternoon fixing



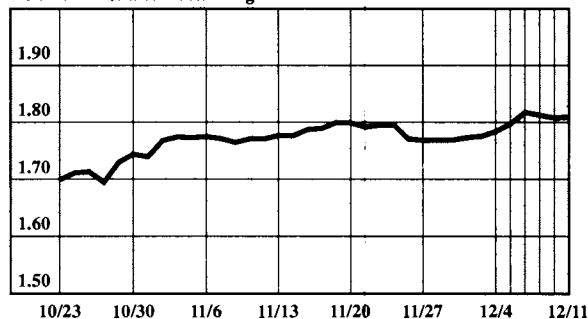
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

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