

Lars Rindsig's View from the Right



The other day I saw someone selling an American pulp paperback on the internet. The title pertained to 12 Chinese men in a boat who "hadn't seen a woman in six weeks" and a woman they were about to do unspeakable deeds to. Add to that, judging by the back cover blurb, plenty of fist-fighting and an all-caps warning "NOT FOR THE TIMID READER!", you get an inkling of what you're in for. Not high art—but, I expect, a representative example of the 'Yellow Peril' theme seen in American (and Western European) culture in the decades before that. Indeed, Henry George expressed some equally less-than-refined views on Chinese immigration himself.

Today we don't hate the Chinese. We don't even hate the Communist oppressors who run the country and their murderous disrespect for human rights or human lives. We don't fear China—instead we buy Chinese goods and go to China on exotic holidays. Or, well, we did, back when we could afford it—before the bust.

But for some time now, the evil, conniving 'Chinaman' of the pulp literature of yore has been able to, one imagines, enjoy a bit of a belly-laugh while slave girls braided his jet-black hair: Western debt to China is of rather unimaginable proportions and the Chinese economy has thrived. So maybe we should be scared of the Chinese?

As [L&L](#) emphasised in our autumn 2007 issue, in which we predicted the current economic crisis, the economies of the Far East would live through the exact same process of bubble and burst as Western countries have.

Over the last couple of years, property prices in China have sky-rocketed. Two years ago, the average price of a flat in central Beijing was £225/sq.ft. Today it is £635. That's nice if you're selling—and it's a particularly lovely topic to discuss over dinner with friends if you're a bit middle-class. Average house prices are up 73.5% since 2009, and the property market constitutes a major part of the Chinese GDP. An unhealthily large part, even—because, as they say, what goes up must come down.

Because with the Beijing minimum wage being around £89 a month, you don't—not really—have to be a world-class economist to figure out that most people are beginning to simply not be able to afford the prices asked. And we know what happens then: properties aren't selling; prices go down; economy goes bust. We've seen that before.

The Chinese government has tried to avoid an impending crisis. Its measures include mandatory down-payments of 30% of the sale price. (It's 50% if it's your second home, and 100% if it's your third, based on the assumption that by then you're probably using the property for speculative purposes). Of course, sound economics has never exactly been the hallmark of the Communist Party of China but it's a fair go. But since it is estimated that between 30 and 50% of properties in the centres of major Chinese cities are empty and only used for speculative purposes (or put into different figures, 90% of all properties sold since mid-2009), some heavy-duty economic change is required.

No such change is likely. Not in China, and not in the West. And, sadly, that means that in 16 years it will be 'told you so' all over again—with ever more tragic consequences.