

“China and the World Economy in the Post-Financial Crisis Era” Forum

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“New Challenges of Chinese Economy in the post-Global Financial Crisis ”

---- Impacts of the breakdown of the "Global Economic Growth Linkage" centered on the United States and a new paradigm of the Chinese economic development

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A Dual Perspective

**New challenges of Chinese economy in the post financial crisis era should be addressed from a dual perspective:*

- ◆ Uniqueness of the recent Chinese Industrialization and economic Development in these three decades
 - Conjunction of dual forces:
 1. Impacts of the progress of the Global Capitalism --- transfiguration of International frameworks: especially from a perspective of the *“decline and transformation of the postwar Pax Americana”* perspective
 2. Transition from the planned economy to market economy -- Three decades of *“Reform and Open-up”* policies and the progress of *“socialist market economy”*
- ~ importance of the global frameworks: a perspective based on comparison with Japanese experiences

International Politico-economic Frameworks of Recent Chinese Economic Development

- *In the postwar era: planned economy under the postwar Pax Americana regime - “containment” by the United States in the postwar Cold War*
- *International frameworks emerged from the late 1970s on:*
 - *Decline and transfiguration of the postwar Pax Americana regime, and eventual progress of **Global Capitalism***
 - *Three major stages can be distinguished*
 - i. *Emergence and Deepening of the Pacific Ocean Growth Triangle”*
 - ii. *Progress of Global Capitalism and emergence of U.S. centered “Global Economic Growth Linkage”*
 - iii. *The current Global Financial & Economic Crisis and a major breakdown of the “Linkage”*

*Note: “Transformation of the postwar Pax Americana” perspective

- The post-war Pax American politico-economic regime: A stage of capitalism compatible to the Pax Britannica regime in 19th century.
 - Major aspects: in the 1950s/1960s :
 - Nucleus of the regime: : the postwar “Sustained Growth Linkage” in the U.S.
 - ✓ The postwar corporate system: “Mature Oligopoly” of major firms/ American-type mass production system/ the postwar traditional labor relations
 - ✓ Governmental functions of a “mixed economy” (cf. P. Samuelson)/- “Keynesianism”, or “managed capitalism”
 - ✓ International orders and frameworks of the Pax Americana
 - Postwar International Monetary order: IMF=Dollar system
 - International Trade system: GATT
 - Politico-military order under the U.S. hegemonic power - supported by the U.S. politico-economic Assistances: The it The postwar Pax Americana regime incorporated the Cold War as a sub-system
- ⇒ Its decline and transfiguration has brought about the major dynamism of globalization and progress of *Global Capitalism*

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In the Early Stage: A “Pacific Ocean Growth Triangle” structure

- **A new international framework emerged after around 1970s: A “Pacific Ocean Growth Triangle” (P.O.GT) structure:**
 - ✓ A dynamisms provided by the declining of the postwar PA regime
 - ✓ A framework for *export-oriented industrialization strategy* by East and Southeast Asian nations, then for China’s “*Reform and Open-up*” policies.
 - * For the notion and discussions about the P. O. G. T. , see MiETI, Japan, *Trade White Paper*, 1987, Chapter 3 and Various studies by Twu Jaw Yann (1997,etc.)
 - **The process started in the 1970s.**
 - ✓ **Major driving force:** Japanese major firms’ strategic responses to increasing trade frictions with the U.S. and rapid appreciation of Japanese yen
 - ➔ **Shift of their export production bases to the NIEs, first, and to ASEAN countries, then to China**
 - Electronics industries took the lead in Asia, while major auto makers started full scale local production in North America: globalization of Japanese major mfg. firms.
 - ✓ **Export-oriented development strategies** by NIES: FTZs in the early 1970s In South Korea, even in the late 1960s in Taiwan
 - ✓ Dependence on U.S. market : a big “absorption” by the “twin deficit” structure in the U.S. /U.S. companies started to make use of the region for outsourcing and offshoring
- ➔ Internal limits of rapid industrialization in the NIEs: wage hikes and higher exchange rate (⇔limited national economy/ trade frictions) ⇒ shift to ASEAN countries ⇒ Then, to China -- Deepening of the structure

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Deepening of the “P.O.G.T” structure in the late 1980s and 1990s: First spring board for Chinese economic development

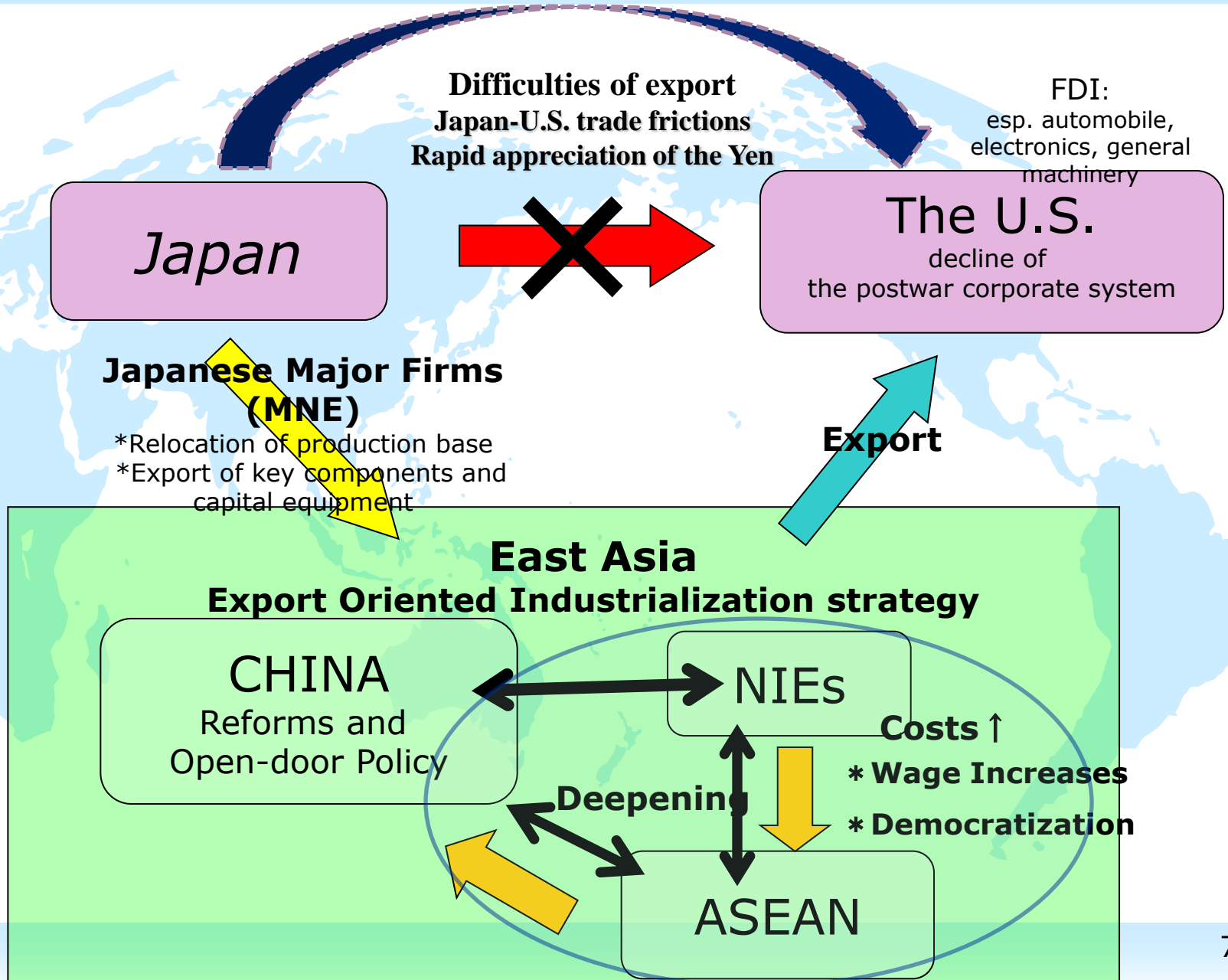
**First: Shift from NIES to ASEAN, Then: to China (in the coastal areas in particular)*

- Limitation of the rapid industrialization in NIES: Wage hikes occurred in South Korea and Taiwan in the late 1980s ⇒ Shift to ASEAN countries
- Development of “bubble” economy in ASEAN four (in Thailand and Malaysia in particular) in the first half of the 1990s:
- FDI shift to China, especially in the coastal areas ⇔ acceleration of “Reforms and Open-up” policies (Deng Xiaoping’s Talks in the South in 1992)

⇐ The effect of a broader international framework:

- increasing progress of Global Capitalism centered in the U.S. / the end of the postwar Cold war
- ⇒ *Emergence of the U.S. centered “Global Economic Growth Linkage”*

The Emergence and Deepening of the "Pacific Ocean Growth Triangle"



****Note: dynamics of the deepening of the “P.O.G.T” structure in the late 1980s : A spring board for recent Chinese economic development***

- ***Shift from NIES to ASEAN, then to China***

- *In the late 1980s: developing limits of the rapid industrialization in NIES developed: wage hikes (with relatively small population) and trade frictions with the U.S. with higher exchange rates in South Korea and Taiwan*

- ⇒ ***Shift to ASEAN 4***

- *In the early 1990s: developing of economic “bubble” economy in ASEAN 4 (in Thailand and Malaysia in particular)*

- ⇐ *effects of the progress of Global Capitalism centered in the U.S. (financialization): massive influx of foreign capital from the U.S. as well as from Japan*

- ⇒ ***Shift to China: a spring board for the industrial development in coastal areas***

- ***Acceleration of Chinese “reform and opening-up” policies:***

- *As an extension around various limits to growth developed in NIES and ASEAN regions, the coastal areas of China came on the scene. Deng Xiaoping seemingly had gotten a grasp on such a trend at the time when he gave a series of lectures arguing for acceleration of “reform and opening-up” and “socialist market economy” to ride on globalized capitalism, called “Lectures in the Southern Inspection Tour,” and on the turn of the 1990s, the buildup of the industrial base there gathered momentum*

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Second Stage:

– *The progress of global capitalism and the Emergence of the US centered “Global Economic Growth Linkage” --and its instability*

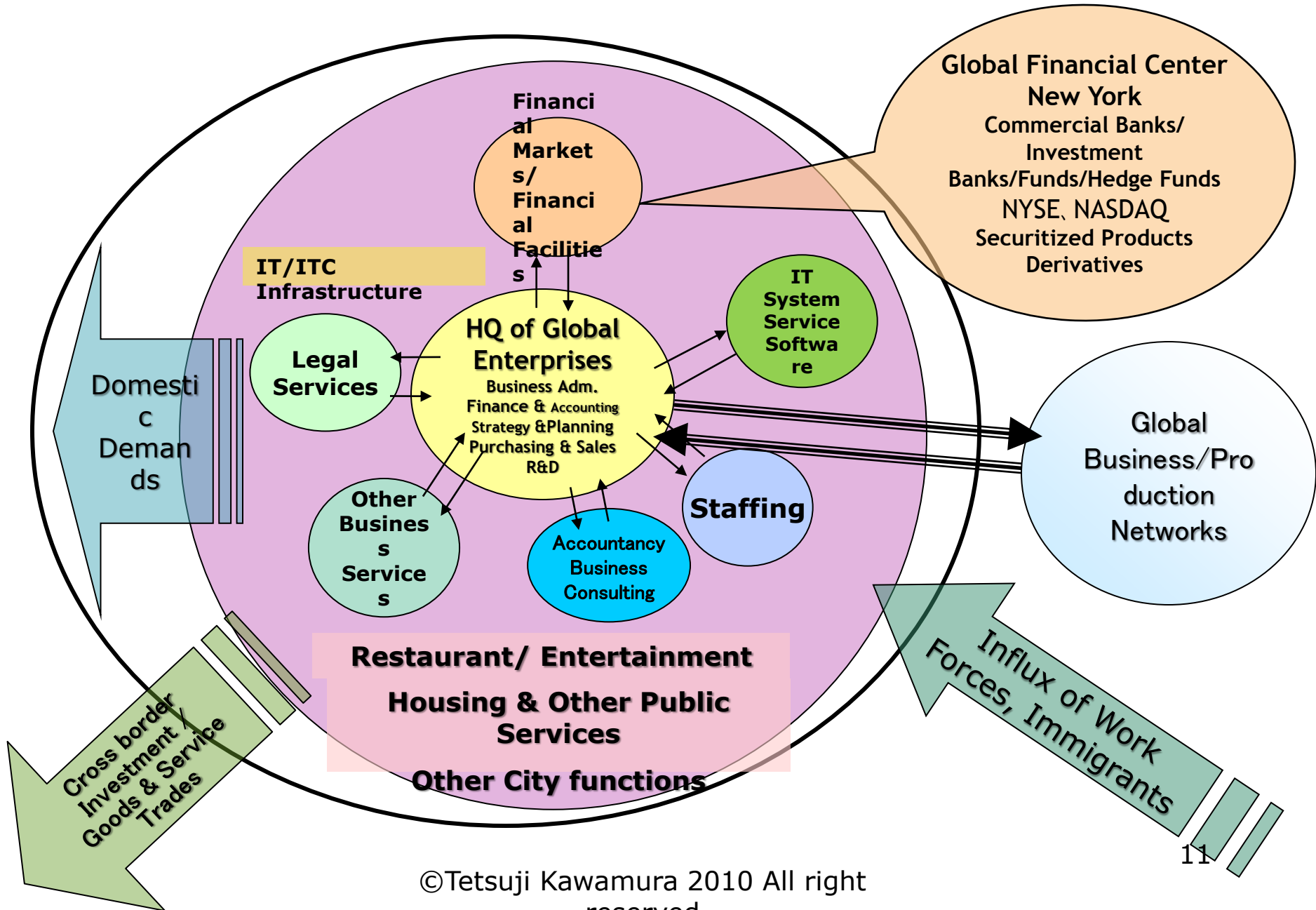
- **US Centered “Global Economic Growth Nexus” emerged around in the 1990s:** New dynamics of the global economic growth structure lead by the U.S.
 - Conjunction of the “Global City” functions and a “New Imperial Circuits” of global money flow
 - U.S. economy: shift to the “Global City” (Cf. Saskia Sassen) nexus
 - The “New Imperial Circuit” of international money flow
 - The “engine” of the system: financial expansion of the US banking system and financial institutions based on the “new imperial circuit”

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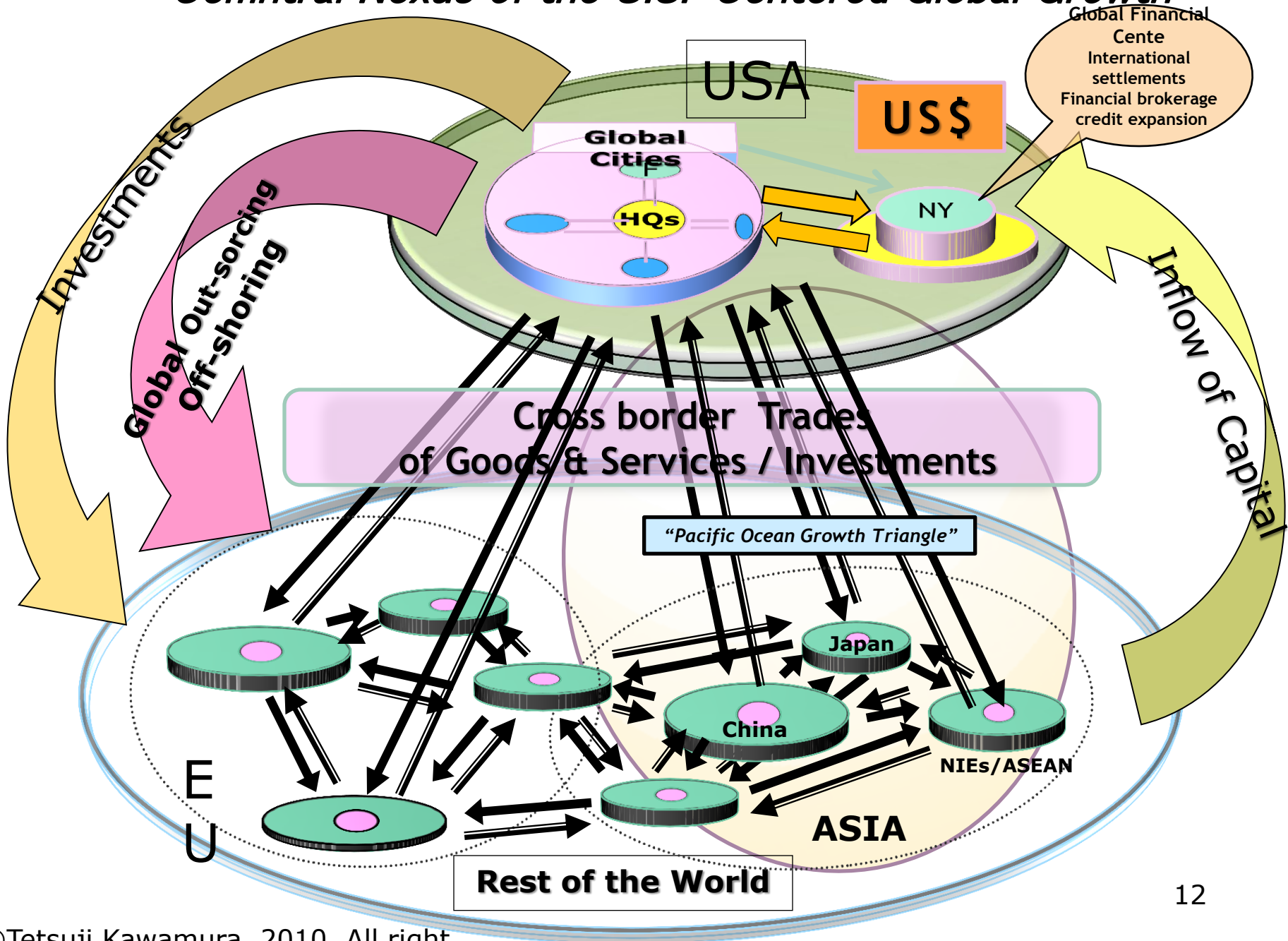
The progress of global capitalism and the eventual emergence of the “Linkage”

- *Progress of Global Capitalism centered on the U.S.:*
 - ✓ New dynamics of the U.S. economy: shift to the “Global City” (Cf. Saskia Sassen) nexus
 - Major driving forces: globalization of firms, finance and information/ Neo-liberalism
 - Increasing global outsourcing and off-shoring
 - ✓ The “New Imperial Circuit” of international money flow
 - Shift to the “Global City” nexus ⇒ Huge deficits of the U.S. current account
 - Inflow of foreign capital
 - » Facilitated by the financial facilities in NYC.
 - » Based on the US dollar as the international key currency
- ⇒ *Emergence of the U.S. centered “Global Economic Growth Linkage”*
 - *The “engine”*: financial expansion of the US banking system and financial institutions based on the “new imperial circuit” of international money flow

Conceptual Model of the Global City Nexus



Cemntral Nexus of the U.S.-Centered Global Growth



***Note: Development of the Global Cities and Spaces**

- **Key Dynamics: Globalization of Firms, Finance, Information**

- **U.S. Major global firms have developed global business networks**

- ✓ HQS-subsidiaries(global MFG bases and other business bases)
- ✓ Global offshoring and outsourcing of procurements, sales ,financing, R&D, business services
- ✓ Complicated strategic alliances among major firms

- **Globalization of finance and development of global financial centers :**

- Globalization of Mega-banks , securities companies, institutional investors , hedge funds, etc.
- Global financial networks : The global financial center=NYC (Wall St.) -- Sub-centers: London, Tokyo, Frankfurt, Paris, Shanghai, Singapore, Bangkok, Mumbai, etc.

- **Development of the Global City functions and spaces: Key spaces for the economic development**

- **Concentration of business services and other urban functions to support HQs functions**

- ✓ Administration and control of the global business operations and networks, global human resources management, business planning, sales , production control, global procurements, finance、 R&D, information
- ✓ Financial facilities
- ✓ Professional business services (legal, accounting, information system, etc.
- ✓ Urban functions : shopping and commercial facilities, housing, community facilities, entertainment

- **Job and income creation**

- **Influx of population, work forces, immigrants**

Cf. Saskia Sassen, *The Global City: New York, London, Tokyo*, second edition, Princeton University Press, 2001.

(⇐ Robert B. Reich, *The Work of Nations*, Alfred A. Knopf, Inc.1991.)

– Significance of the Global Cities Nexus

- New dynamics for the U.S. economic growth:
 - In the U.S.:
 - NYC: Global financial center on the basis of U.S. dollar as the international key currency, concentration of financial markets and facilities
 - Multilayered networks of global cities have developed according to their geopolitical positions and particular key functions
 - Spaces that business and financial profits can be accumulated through global business linkages, and in which the global wealth of the United States can be concentrated.
 - Major sources of employment and income flows has driven the expansion of domestic demand within the United States Work forces, including immigrants:
 - increasing the number of professional jobs in related specialized business services and miscellaneous employment relating to various urban public services and housing construction, shopping, commerce and entertainments.
 - In the world : Major channels and nodes for the U.S. centered “*Global Growth Linkage* “
 - London, Tokyo, Paris, Shanghai, Bangkok and others in emerging economies

**Note: A “New Imperial Circulation” of International Money Flow centered on the U.S.*

- *“New Imperial Circulation : A structure of the U.S. centered international money flow*
 - *Huge current accounts deficits structure of the U.S. national economy:*
 - ✓ Shift to the Global City nexus of the U.S. economic growth : concentration of the headquarter functions of global firms - major mechanism to concentrate the global wealth
 - ✓ Creation of incomes and jobs ⇒ increase of domestic demands ⇒ increase of import demands ⇔ decline and hollowing of the domestic industrial bases
 - ✓ Global outsourcing and offshoring by major firms -- goods & manufacturing processes /business services
 - ✂ *Intra-firm trade of the U.S.*
 - ✓ At the end of 1990s, Size of U.S. intra firm trade 32% of export, 47% of import (The Department of Commerce data in 2001))
 - ✓ 80% of the U.S. trade deficit was caused by intra-firm trades(Mr. Kanter, the U.S. Trade Representative)
 - *Financed by the inflow of foreign capital*
 - ⇒ accumulation of its external net debts (US \$2600b.)
- Based on the U.S. dollar as the international key currency: historical basis and the U.S. power: economic as well as soft and hard powers

(3)

Instability of the US centered “Global Economic Growth Linkage” nexus

- “Financialization” and “Casinoization” of the financial markets: financial innovations and globalization from the 1980s on
 - The “Bubble and Bust”--- financial instability
 - Recurrent currency and financial crises, especially in the peripheral regions:
 - ✓ In 1994: Currency & financial crisis in Mexico(the “ Tequila shock”)
 - ✓ In 1997: the Asian currency and financial crisis
 - ✓ In 1977-98: the Japanese financial crisis
 - ✓ In 1998: the Russian financial crisis
 - ✓ In 2000-01: the financial crisis in Brazil and Argentina
 - The “IT Bubble” in the late 1990s U.S. and its collapse in 2001
 - The “Housing Boom” in the 2000s and its collapse
- ⇒ The current *global financial & economic crisis* ignited by the United States
- In the early 2007: sub-prime loan problems : collapse of the securitized securities prices
 - In the fall of 2008 : liquidity crisis of banking system in EU, UK, the US and other countries, the “Lehman shock”
 - Severe recession of the real economy

**Note: "Financialization" and "Casinoization" of the financial Markets*

- **Development of "Financialization" and "Casinoization"**
- "Financialization" : financial transactions grow far in excess of the real economy. in the United States, as well as in the entire world, Indicative of changes in the "financialization" process, the ratio of the amount of financial transactions to GDP in the United States stayed relatively stable at about a little more than two times in the 1950s and 1960s, though it rose slightly from the second half of the 1960s. Since the 1970s, however, the ratio began to increase rapidly, and climbed to as much as 40 times in the 1980s and a little more than 50 times in the 1990s (see Figure 10). These figures do not include over-the-counter (OTC) transactions such as derivatives and swaps. Even so, the total volume of financial transactions grew significantly during the 1990s. brought about by the decline and transformation of postwar Pax Americana since the 1970s. More directly
- Its major driving forces:
 - On the basis of the "suspension of the convertibility of dollars into gold" and the "shift to the floating exchange rate system" in the early 1970s, "financialization" developed along with a mounting degree of "dollar uneasiness," caused by the "twin deficits" generated under "Reaganomics," as the major drivers. The changing role of postwar Pax Americana in the arenas of international currency and world finance led to increased volatility and fluctuation risks in the financial and foreign exchange markets.
 - The key features of the process were financial liberalization under "Reaganomics" - the biggest cause of this was "disintermediation" spurred by higher inflation since the late 1960s under New Deal-type banking and financial regulation - and in particular, significantly expanded cross-market, cross-border financial operations and financial transactions, including the development of new financial products and financial operations on the strength of financial engineering techniques (M&A finance, such as junk bonds and leveraged buyout (LBO) loans), program trading, portfolio management and development of derivatives. Freed from domestic financial regulation, the leading players in the latest financial crisis, including American banks, investment banks, securities firms, institutional investors such as pension funds, and hedge funds, developed global networks of financial business and financial operations and pressed forward with the globalization of finance, turning the financial markets into "casinos" in the process.
 - Kioko Imura [2008] also views the problem of "financialization" as "financial activities independent of the real economy," and addresses the subprime problem, along with its cause, as the problem of a crisis generated by speculative financial activities.
 - Bank for International Settlements [2000], [2007].
 - Gerald Epstein, ed. [2006] for the concept of "financialization" and the problem of financial instability.
 - Susan Strange [1986] and many others have addressed this issue. See Kawamura [2008a].

3

The Third Stage in the late 2000s and after : Impacts of the Global Financial and Economic Crisis

- *In the process of the industrialization in these three decades, China has experienced major shift in its economic system from a planned economy to market economy:*
 - In the process: major reforms have been achieved
 - Dissolution of nucleus apparatus of the socialist planned economy
 - Reforms and modernization of the state-owned enterprises: converting to joint stock companies and reforms to secure effective corporate governance
 - Reforms of banking and other financial systems & financial markets: the central bank and commercial banks, securities and other financial
 - Reforms of the fiscal system and taxation
 - Legislations relating to labor relations and labor conditions
 - Reforms of administrative service by the central and local governments, including the social security system: pension system, unemployment insurance system, etc.
- *There have emerged various problems and challenges accompanied with these progress:*
 - Unemployment and relocation of employment relating to the reforms of state-owned enterprises
 - Special difficulty of reforms of the financial system and markets: financial globalization and instability of global financial system (“financialization” and “casinoization”)
 - Natural resources and energy problems
 - Improvements of industrial and social Infrastructure
 - Shortage of water, food supply, etc.
- Balancing the global economy and the domestic issues, the process of new institutional and system formation are going on:

(1)

The underlying changes of Chinese economy under the pressures of global capitalism before the current financial and economic crisis:

- ◆ **Challenges of Chinese economy under the progress of the global capitalism:**
 - ✓ *Shift of industrial policies to more balanced way and the economic structural adjustments:* remedies for the increasing gaps between rural inlands and industrial coast areas
 - ✓ *Intensifying competition in the domestic and global markets:* especially after participation in the WTO)
 - ✓ *New requirements for production management:*
 - ✓ Shorter product life cycle
 - ✓ Reduced production lead time and higher flexibility to cope with variable products with variable volume
 - ✓ Higher quality requirements
 - ✓ Increasing pressures of cost cuts
 - ⇒ limits of simple mass production
 - ⇒ Increasing needs for more meticulous management and efficient process management: advantages of “lean” production system or the JM&PS
 - “Capability Building” system: Kaizen and accumulation of knowledge on shop floor.
 - ✓ *Labor shortage and Wage hikes / Instability of labor relations in the coastal areas:*
 - ⇒ Impacts of the rapid expansion of automobile industries: more needs for skilled labor and accumulation of skills.
 - *Growing limits of export-led industrialization:* typified in the Pearl River District
- ⇒ Impacts of the current global financial & economic crisis ignited the U.S. -- a severe break down of the U.S. centered “Global Economic Growth Linkage”

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The Current Situations and the Prospects

- ◆ *The most salient feature of the crisis: breakdown of the U.S. centered Global Economic Growth Linkage*
 - The Financial Crisis: almost paralysis of the banking system due to the liquidity crisis
 - ➔ A rapid shrinkage of the U.S. centered “Global Growth Linkage” :
 - steep plummeting of global trade
- ◆ *Emergency rescue measures:*
 - ✓ Emergency and *untraditional* financial measures: unlimited liquidity supply by the Major central banks—the Fed, ECB, and BOJ, BOE, and others - narrowly stopped the total break down the banking and financial system
 - ✓ Governmental emergency economic stimulus measures managed to prevent deflation spiral of real economy.
- ◆ *In the mid-term and long-term challenges for the U.S. and EU monetary authorities:*
 - various financial reforms and regulations should be needed to rebuild sound banking and credit system to hold down unruly “casinoization” of financial markets and to prevent “bubble” ⇔ difficult task to restore its full function as the “engine” for the “Global Economic Growth Linkage “
 - It will not be possible to maintain under-restricted securities markets and Investment banking, and over-leveraged financing ,etc.
 - ➔ The U.S. centered “Global Economic Growth Linkage”: very difficult to restore intact.
- ★ The current quantitative easing measures by the Fed - an attempt to substitute the roles of the “Engine” by the private financial sector to maintain the U.S. centered “Global Growth Linkage” -- will not be workable because of the liquidity trap

*Note: Emergency measures in the U.S. and Europe

- In the U.S. :

- *Emergency Economic Stabilization Act of 2008* (Oct.3, 2008):
 - TARP(Troubled Asset Relief Program) US\$700 b.
 - October 28 Capital Purchase Program
 - US\$125b. Capital injection to large institutions
- ⇒ In 2009: \$20b. assistance to BOA, \$30 b. to City Group; Additional capital injection to AIG
- *Financial Stability Plan* (Feb. 10, 2009)
- *Stress Test & CAP(Capital Assistance Program)* -- announced on Feb.25, 2009
- *Additional quantitative ease program* by the Fed (Nov. 2010)
- *etc.*

- In Europe:

- *Fiscal measures:*
 - ✓ EERP(European Economic Recovery Plan)- fiscal stimulus plan of €200b.for whole EU in 2009-10 -- about 1.5% of GDP of EU) approved in December 11-12 EU Commission
 - ✓ *Various fiscal measures by individual nations*
- *Financial measures:*
 - *Financial measures ; traditional and “untraditional”*
 - Decrease of policy interest rates and untraditional measures by E C B and B O E : ECB: decrease the policy rates to 1.0% in May 2009 and BOE to 0.5%
 - ECB: Purchases of assets and providing massive liquidity to banking sectors: introducing LTRO (Long Term Refinancing Operation) in May 2009 (up to December) covered bond purchases of maximum €600b. Etc.
 - BOE: purchases of debentures and CPs from January 2009 and government notes and bonds from March, 2009
 - *etc.*

– Major Transfiguration of the Global Economy

• Transfiguration of globalization?

- *One aspect* : increasing governmental roles and financial regulations:
- ⇒ *possibility of the retreat of global capitalism*: revival of the importance of the Nation state system and national economy/some dangers of protectionism/

⇔ Difficulties:

- *Problems of “too big to sustain”*: limited roles of the fiscal measures
 - ⇔ huge accumulation of national debts: in the U.S. Japan and Europe
 - Cf. Sovereign crisis Greek crisis and Euro problems; PIIGS
- *“Green Recovery or “Green New Deal” ?*
 - Attempts to reconstruction of the domestic nexus of economic growth around environmental and relating industries : new environmental technologies and infrastructures
 - ⇔ Long-term tasks
 - Huge fiscal burdens:
 - Mostly the future technologies
- *The uncertain future of the U.S. dollar as the International Key currency*: limits of the inflow of foreign capital to the U.S.
 - Accumulation of already huge external net debts
 - Sovereign crisis in the U.S.(?)
 - Deterioration of the Fed assets caused by the emergency policies

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New Challenges of Chinese Economy in the post-Financial Crisis Era

(1)

Domestic Aspects: Toward a more balanced “Domestic Economic Growth Linkage” nexus

- *The most leading renewed challenge: to build up a more balanced growth structure centered on the domestic economy*
 - ⇨ *A break down of the U.S. centered “global growth Linkage”*
 - ⇒ *Limits to the and export-led (and relying on foreign capital) industrialization and economic growth model*
 - *New stage of the Deng Xiaoping’ “Xian Fu Ryan(先富論)”*
 - *Economic structural adjustment:*
 - *Balancing of the economic growth in the Inland and the Coastal areas/ in Rural agricultural areas and Metropolitan areas*
 - ⇨ *Importance of revitalize regional economy on the basis of local communities in a reflexive historical and traditional perspective*

(2)

International Aspects of the New Challenges of Chinese Economy

- To lead the global economy - Chinese domestic economic structural adjustments should be achieved in an open economy
 - ⇨ Many advantages of globalized economy:
 - 1) Still important markets of the U.S. and Europe as well as advanced technologies and capital
 - 2) (Probably more important) The "Growing Asia" : big potentiality of integrated Asian economy (ASEAN + 3 -Japan, Korea and China or +6 -+ India, Australia and NZ) = already the world largest economic integration area : ample capability to substitute the damaged U.S. centered "Economic Growth Linkage"

 - *Two keys to cope with these aspects:*
 - 1) Enhancing competitiveness of private enterprises :
 - To facilitate more flexible management and production system to cope with increasing uncertainty of markets and cost-cut pressures
 - To establish stable labor relations
 - To enhance R&D capabilities
 - To secure proper corporate governance
 - To establish national brands
 - 2) *Maintain and revitalize regional economy on the basis of local communities:*
 - under the progressing globalization, specific importance of local *reflexive values* of traditional life and society : the basis for advancement of a stable and sustainable "socialist market economy" in the globalization era -- not a U.S. type but rather a European-type:
- ⇨ A largest challenge: to rebuild a stable international key currency system and financial system: potentiality of Chinese leadership

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One major long term Challenge of China: Possibility of a Chinese centered “Global (or Asian) Economic Growth Linkage”?

- In a long term major challenge for China: to construct a Chinese centered “Global (or Asian at least) Global Economic Growth Linkage”
 - Many requirements:
 - The largest one: creation of an international monetary and financial system organized on the basis of the Yuan as the international key currency
 - China will have to achieve prerequisite capabilities and powers for establishing financial system and markets as the international financial center:
 - ✓ W. A. Brown Jr., who studied the reconstructed Gold Standard System in the 1920s, argues the necessary capabilities of a financial markets as a international financial center:
 - ① To provide market places for the international trades of goods, services and securities
 - ② To provide a fundamental financial service to provide international long term and short term credit
 - ③ To behave as a foreign fund holder and asset manager
 - ④ To provide a secondary service to facilitate channels of remittance
 - Cf. W. A. Brown, Jr., *International Gold Standard Reinterpreted, 1914-1934*, N.B.E.R., NY, 1940. p.535.
 - Moreover , Brown argued the two key power to establish a stable international key currency system: the "surface pull" and the "basic pull“ over the exchange.

**Note: The “surface pull” and “basic pull” over the exchange*

- ◆ *Brown, Jr.’s notion of The two “pulls” over the exchange:*
 - ✓ The “surface pull” : a power of international financial center to adjust the exchange rates through the control of flow of funds.
 - ✓ The “basic pull” is a power of it to control exchange rates through the adjustments of the basic structure of international balance of payments of the key currency nation.
 - For more detailed accounts and discussions, see Masahiro, Fujikawa, “ Two pulls over the exchange” Hose University Repository (<http://rose.lib.hosei.ac.jp/dspace/bitstream/10114/1086/1/66-3-4fujikawa.pdf>)
- *In the pre-World War I: the pound sterling system centered on Great Britain held both powers under the international gold standard in the pre-World War I period.*
- *In the IMF=Dollar system under the postwar Pax Americana era: the U. S. held the similar powers.*
- ⇔ *In the “Dollar Standard” system in the pre-global financial crisis era:*
 - ✓ Both powers of the global financial center NY of the U.S. centered “Global Economic Growth Linkage” were quite questionable: the fundamental cause of the inherent instability of the Dollar Standard system:
 - defects of the system especially of the securitization mechanism of debts obligations including mortgage loan -- especially due to the inherent defects of financial engineering technology (fundamental ignorance of F. Knight’ distinction between “Risk” and “Uncertainty,” among others (Frank H. Knight, Risk, Uncertainty and Profit, originally published in 1921, NY, Cosimo Classics, Inc., 2006)).
 - China has already the “basic pull” capability over the exchange rate through basic balance of payments power
 - New challenge will be the “surface pull” capability



Thank You