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## Chinese leaders had better learn how markets work

China is ruled by a party that calls itself Communist, but its economic reality is one of rapacious crony capitalism. And everyone has been assuming that the nation's leaders are in on the joke, that they know better than to take their occasional socialist rhetoric seriously.

Yet their zigzagging policies over the past few months have been worrying. Is it possible that after all these years Beijing still doesn't get how this "markets" thing works?

The background: China's economy is wildly unbalanced, with a very low share of gross domestic product devoted to consumption and a very high share devoted to investment. This was sustainable while the country was able to maintain extremely rapid growth; but growth is, inevitably, slowing as China runs out of surplus labor. As a result, returns on investment are dropping fast.

The solution is to invest less and consume more. But getting there will take reforms that distribute the fruits of growth more widely and provide families with greater security. And while China has taken some steps in that direction, there's still a long way to go.

Meanwhile, the problem is how to sustain spending during the transition. And that's where things have gotten weird.

At first, the Chinese government supported the economy in part through infrastructure spending, which is the standard remedy for economic weakness. But it also did so by funneling cheap credit to state-owned enterprises. The result was a run-up in these enterprises' debt, which by last year was high enough to raise worries about financial stability.

Next, China adopted an official policy of boosting stock prices, combining a stock-buying propaganda campaign with relaxed margin requirements, making it easier to buy stocks with borrowed money. The goal may have been to help out those state-owned enterprises, which could pay down debt by selling stock. But the consequence was an obvious bubble, which began deflating earlier this year.

The response of the Chinese authorities was remarkable: They pulled out all the stops to support the market — suspending trading in many stocks, banning short-selling, pushing large investors to buy, and instructing graduating economics students to chant "Revive A-shares, benefit the people."

All of this has stabilized the market for the time being. But it is at the cost of tying China's credibility to its ability to keep stock prices from ever falling. And the Chinese economy still needs more support.

So this week China decided to let the value of its currency decline, which made some sense: While the renminbi was clearly undervalued five years ago, it's significantly overvalued now. But Chinese authorities seem to have imagined that they could control the renminbi's descent, taking it a couple of percent at a time.

They appear to have been taken completely by surprise by the market's predictable reaction; namely, the initial devaluation of the renminbi was "the first bite of the cherry," a sign of much bigger declines to come. Investors began fleeing China, and policymakers abruptly pivoted from promoting currency devaluation to an all-out effort to support the renminbi's value.

The common theme in these wild policy swings is that China's leadership keeps imagining that it can order markets around, telling them what prices to reach. And that's not how things work.

I'm not saying governments should never interfere with markets, or even set limits on prices.

There's even a case for occasional intervention to prop up asset prices. Three years ago, the European Central Bank's promise to do "whatever it takes" to safeguard the euro — generally interpreted as a promise that it would buy government bonds if necessary — worked wonders. Back in 1998 the Hong Kong Monetary Authority purchased large amounts of stock to beat back a hedge fund attack on its currency, and scored a notable success.

But these were short-lived actions, taken at times when markets seemed to have lost their bearings. Staffers at the Federal Reserve used to call these moves "slap in the face" interventions. That's very different from the kind of sustained intervention and political dictation of prices China seems to imagine it can pull off.

Do the country's leaders really not understand why that won't work?

If they really don't, that's a big concern. China is an economic superpower. And it's facing tough times. So if its leadership is really as clueless as it has been looking lately, that bodes ill, not just for China, but for the world as a whole.

## Charter school could soften COFA culture shock

By Vicki Viotti  
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Vidalino Raatior, candidate for a doctorate in education, remembers his own introduction to Western society. Coming from a small island of 400 people in Chuuk, the impersonality of American life was alienating. The culture shock was hard even for a young man who was on an elite educational track at home.

"If I had difficulty, kids coming through now have even more of a hard time, in terms of cultural prepared-

ness," he said.

Raatior is part of a team of graduate students at the University of Hawaii College of Education conducting a feasibility study about the establishment of a culturally focused charter school for Micronesian children. Raatior and his colleagues are not serving as advocates — their study is a dispassionate research project as a part of their academic requirements.

But there are advocates for the idea. UH approved the study, which was requested by the nonprofits Microne-

sians United — Big Island, Faith Action for Community Equity, The Learning Coalition and We Are Oceania.

The research team will present its findings in December, and a decision will be made about whether to pursue the charter from state authorities.

The team recently held a series of "sharing circles," focus groups of parents and others interested in the education of Micronesian children. Participants were organized into groups separated by gender, which suited Micronesian prac-

tices, Raatior said.

A charter school could address the culture shock Micronesian parents and children encounter in Western schools, he said, as well as keep them connected to their birthplace. Barriers aside, parents do want their children to thrive here, Raatior added.

"I don't know any parents anywhere in the world who care more about their kids," he said. "These people who move far from the comfort of their home are people who want their children to succeed in life."

## COFA

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even more languages, and all are factors that have kept them fragmented.

But recently they have come together under various organizations, such as COFA-CAN, Micronesians United and others, especially around issues of health care and housing. The hope is that the new organization will have more support to assist Micronesians in thriving here, Howard said, and without sacrificing their own cultural touchstones.

After her own arrival more than two decades ago, Howard started out at University of Hawaii-Hilo with a goal of medical school. Later, she said, she realized there was work to do in the social-service and cultural realm.

"When I started learning about our history of diseases, I realized our biggest problem is with changing our mentality now," she said. "With chronic diseases, it's all about changing lifestyle and going back to valuing our way. Our food, our diet."

The departure from the traditional Pacific diet began after World War II, she said, with the influx of federal surplus food supplies — largely canned goods. Micronesians often would fish and then sell that healthier protein source to purchase Spam and other high-fat foods, she said.

All of the health problems and other issues Micronesians confront have an impact on the states where they migrate, and

Hawaii gets the lion's share of those impacts.

Earlier this month, the U.S. Department of the Interior announced the latest award of federal impact aid to Hawaii, about \$12.7 million for the current fiscal year. This is Hawaii's share of the roughly \$30 million authorized for impact aid nationally, according to an Aug. 7 letter from Esther Kia'aina, assistant secretary for insular affairs.

In addition, Kia'aina wrote, Hawaii is eligible for a supplemental grant of \$1.2 million for educational services. And she signaled that the door is open for more assistance.

"I look forward to working with you and Hawaii's congressional delegation on long-term strategies to address the issue of Compact impact aid, many of which would require statutory changes," she added.

Community leaders already are taking hope in recent developments, primarily the \$250,000 Interior grant. Census data in 2013 estimated that 14,700 migrants are from the Compact nations. An estimated 17,170 live on Guam, which is receiving a similar grant. In total, Guam and Hawaii governments have spent roughly \$100 million to \$150 million on public assistance in recent years, according to Friday's news release.

The center "will serve as a central physical and electronic resource center linking the various Micronesian communities living in Hawaii with public services and other resources in a way that is culturally



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**Josie Howard**  
Director of We Are Oceania and migrant from Chuuk



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sensitive and appropriate," according to the release. "The initial focus of the center will be in the areas of health, education, housing and homelessness, as well as labor."

We Are Oceania is beginning work on establishing the one-stop center in a small office on the property of St. Elizabeth's Episcopal Church, where many Micronesians are parishioners. Its pastor, the Rev. David Gierlach, has been in the thick of advocacy work on behalf of the migrants, including the initial plans for the one-stop center.

That work began a year ago, he said, and the first federal grant of \$75,000

enabled the hiring of Howard and Keola Diaz, who are Palauan, as its first staffers, working on a part-time basis.

"The idea was to provide a single resource area to get information," Gierlach said. "The challenges are fantastic. It's not only a language issue. It's translating the cultural norms that is the real challenge."

"They come from a sub-culture, and the culture is extremely family-oriented, a subsistence culture," he added. "They come to the U.S., which is a cash-based society."

"To me it's a lot like getting off a spaceship from Mars."

Partners in Development Foundation offers programs aimed at helping Hawaiians who are economically or socially challenged to overcome them by tapping their own cultural resources. PIDF is in a three-year contract to mentor We Are Oceania to gain its own official nonprofit status and run its own programs and services.

"I'm so proud that the Hawaiian culture and our struggles have helped Josie and her colleagues to understand that they have the same struggles," said Jan Hanohano Dill, president and chairman of the board of the foundation.

"Not that we have the answers, but we can at least struggle together on the issues, because they are similar issues. It's an issue of self-esteem, it's an issue of sustainability, it's an issue of cultural survival."

"And all these things — we are Oceania. Hawaiians are Oceania, too, so we share a lot of things."

Diaz said the alignment of Pacific cultures makes PIDF the ideal mentor agency for We Are Oceania.

"We don't want to lose our identity, so this is a perfect relationship," he said. "The core vision (of PIDF) is to use ancient Hawaiian traditions and knowledge and culture to empower Hawaiians to use that knowledge and skills to face current challenges. That's what we want to do."

"We don't want to give up our cultural identity in pursuit of education, employment and financial stability," he said. "We can make it work for us."



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The Rev. David Gierlach, center left, talked to advocates for the homeless at Honolulu Hale, where they brought letters to the mayor and City Council Aug. 4.