THE CHINESE PIG

Bacon, ham, prosciutto, Cumberland sausage, baby back ribs, pork chops, suckling pig... it's amazing how many wonderful things to eat come from one animal. But we're not talking here about pigs that farmers raise and we love to consume.

We could talk about another kind of pig - namely, the PIGS of Europe that are being devoured by their debt and profligacy: Portugal, Italy, Greece, and Spain. Or is it PIIGS now with Ireland?

We could talk about the American Pig, even more bloated with public union moochers and subsidized corporate parasites than Europe, with state after state facing bankruptcy.

Instead, though, we're going to talk about the Chinese Pig. *Tout le monde* seems fixated on the impending collapse of the Euro and the Dollar, but what about the impending collapse of the Yuan?

Most fears are focused on Ireland or Spain or California going bankrupt. What if China goes belly up? The global impact would make Spain's seem penny-ante.

You know the old joke about how you can tell when a politician is lying: when his lips are moving. The same applies to Chinese government economic statistics. The Chicoms are reporting an inflation rate of 4.4% for October, 5.2% for November. Scary enough, but the reality is that the price of vegetables averaged across China has risen 20% in the last 30 days.

For years, China's explosive growth was funded by us buying its stuff. When we stopped buying due to the Great Recession, the Chicoms started printing money to pump up domestic growth after the collapse of exports. The tsunami of printed-out-of-air yuan created a credit boom resulting in real estate prices now being 22 times disposable income in Beijing and only somewhat less in most major Chinese cities.

At the peak of the US sub-prime mortgage financed housing bubble, real estate prices were at 6.4 times disposable income (they're now down to 4.7).

A study released lat week (11/30) by Fitch Ratings and Oxford Economics reveals that private credit in China is now 148% of GDP. Yet Fitch discloses that the real debt problem is much worse, for loans to local governments and state-owned-enterprises have been massively understated.

Such understatement combined with a housing bubble about to burst means China's banks are up to their eyeballs in bad loans. Fitch notes that raising interest rates, the normal reaction to inflation, will expose the banks' insolvency for all to see. Catch-22.

Thus a number of China-watchers like Fitch are predicting China's growth will drop 50% to 5%

GDP increase and soon. The global impact of this is, as Ed Sullivan would say, *really big*.

For openers, at least a 20% drop in most commodity prices. Countries getting rich from selling commodities to China, like Australia's coal and Brazil's soybeans, will get nailed. Oil producers, especially those with high extraction costs like Russia, take it in the shorts.

All those Third World economies, like in Africa, benefiting from Chinese investment will see that investment and their economies shrink. Economies throughout Asia from South Korea to India to Kazakhstan will take a big hit - Fitch thinks at least a 25% drop in their stock markets and 2.6% reduction in GDP.

It will be satisfying to see Brazil's hubris and Russia's arrogance taken down. It will be a relief to pay less to fill up our car's gas tank. But a few billion people, especially in South America, Africa, and Asia, are going to be very unhappy. A lot of them are going to take it out on their governments.

Most unhappy of all with be people in China. The riots you've read about in Greece or France or Britain over their countries' economic woes will be Lilliputian compared to what's coming in scores of Chinese cities.

There's only so much food the Chicoms have stored up and can release to placate them. The problem is compounded by all those hordes of rural millions who left their farms where they could grow ducks and veggies to move to cities where they can't.

And what about all those trillions of US Dollars the Chicoms got from us in exchange for their stuff? They're locked up in T-bills and other illiquid things like roads or mines in Africa. Besides, what do you *do* with dollars in China? What would you do with a suitcase full of Chinese Yuan notes in say, Kansas? How would you spend them?

There are economies where you can spend dollars or euros as easily as the local currency. China is not one of them.

"We are witnessing a bubble of epic proportions which will burst," observes Albert Edwards, the famed financial strategist at Societe Generale in Paris.

We worry about PIGS in Europe. We worry more, and rightly so, about pigs in California, Illinois, New York, and Washington DC. But the biggest, fattest pig of all is in China. When it collapses under its own weight, the global damage will be vast. One variable that can't be predicted is the reaction of the Chicoms to it.

Will they turn inward, trying to save themselves and their power by focusing on solving their citizens' economic woes? Or will they turn outward, redirecting their people's anger away from

them and upon some foreign devil upon whom jingoistic war should be waged?

If we had a competent White House and State Department, we would be able to aikido China towards the former and away from the latter. But we don't. Big time.

And we can't expect any skillful backup from Congress, with the incoming House Foreign Affairs Committee being chaired by Ileana Ros-Lehtinen (R-FL), who's such a treasonous RINO she voted yesterday (12/08) for the DREAM illegal amnesty bill. The Senate will be even more pathetic, with Foreign Relations chaired by Dick Lugar.

January 2013 with a President Palin and Secretary of State Bolton is long ways away. We're going to need prayers and luck in the meantime - that plus store up on food and gold as currencies from the dollar to the euro to the yuan become worth less.

In the Chinese calendar, 2011 will be the Year of the Rabbit - but economically, the calendar is off. 2011 will really be the Year of the Pig - in Europe, in America, and most all in China.