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Scholarly freedom critical for China's future

By Robert Lawrence Kuhn

Scholars are essential for the flourishing of all influential or consequential civilizations. They have been especially respected and honored throughout China's long history, save for brief periods, such as during the Cultural Revolution (1966-76).

Scholars seek truth, and because truth is elusive and often disputed, it is incumbent on scholars to present their views without fear or favor.

Scholars also have a corollary responsibility. They should not distort or mislead, but an absolute standard of what is, or is not, distortion or misdirection can be challenging to set.

What role do China's scholars play in the country's development?

The common assumption in the West is that domestic Chinese scholars are not free. This is not correct, in that such a simplistic and anachronistic charge does not recognize the great progress that has been made. Although there are indeed still pockets of unpleasant restrictions, the off-limits areas have shrunk significantly, and over time continue to shrink if not continuously.

What is uncontroversial is that scholars in today's China have more freedoms than their predecessors had four and five decades ago, including freedoms to criticize aspects of government. We should appreciate the great progress.

The common assumption in China is that many Western China scholars, just like much of the Western media, are biased against China and conspire against China.

This is not correct. Scholars, like the media, often focus more on what's wrong than on what's right, deriving intellectual satisfaction from finding faults and digging out problems. This is the nature of scholars and critics, and society can benefit from it. It is not easy or fun to learn from those who criticize you, but this is precisely what great societies do, or learn to do.

Constructive critics of China, those who root for China's success but are concerned enough to point out China's problems, are China's best friends and closest allies. They should be praised, not scorned.

China scholars have multiple functions. Here are five of them:

First, some pursue pure scholarship. The discovery or creation of truth, whether historical or contemporary, exemplifies the pinnacle of the human spirit and enriches China.

Second, Chinese scholars also generate intellectual energy and express scholarly passion.

The special intensity of scholarly heat can focus broad attention on critical issues and thus can enable China to address such critical issues.

Third, Scholars articulate critical issues, irrespective of opinions about those issues.

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Fourth, They help to generate a marketplace of ideas. Even if fractious and competitive, ideas astir in the bright light of public scrutiny bring out the best minds, thinkers who can address complex issues and solve multifaceted problems.

Fifth, They distinguish between fact and opinion. This is the scholarly ideal that we prize, though some scholars often conflate fact and opinion, taking their personal opinions so seriously that they come to believe that these opinions are truly independent facts.

I am often in the Western media, and because I describe the ideas and policies of China's leaders, I am asked whether I try to be "balanced" about China. I say, "No. I do not try to be balanced about China. I try to tell the truth about China."

Now, maybe I differ with some over what is the truth about China, and maybe I do not have all the facts about China, but I really try to tell the truth. If I were commenting during the Cultural Revolution, I would not want to be "balanced."

Scholars ideally should be individuals, more loyal to their own intellectual integrity than to this or that group of which they may happen to be members.

So I call upon all China scholars everywhere to reach for this high ideal. In the classic phrase with which Deng Xiaoping turned China around, "Seek truth from facts."

The article is adapted from a speech the author gave at the Fourth World Forum of China Studies. Robert Lawrence Kuhn is the author of *How China's Leaders Think*.
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Dollar bonanza may cripple delicate global economy

By Shi Jianxun

On November 3, the US Federal Reserve announced it would restart its quantitative easing monetary policy and that over the next eight months it would buy $600 billion worth of long-term bonds.

This is the second round of quantitative easing after the Federal Reserve injected $1.7 trillion of liquidity in March 2009, trying to stimulate economic growth.

The program immediately aroused worldwide attention and its negative effect on world economic recovery should not be underestimated.

The Federal Reserve is adopting a new round of quantitative easing monetary policy at a time when the US is experiencing economic downturn and investors and consumers lack confidence.

The most serious problem for the US is the lack of effective demand rather than an insufficient money supply. Currently, the US needs a new fiscal stimulus package and to maintain a strong dollar, rather than the further proliferation of liquidity.

Additional liquidity will not quickly enter the real economy and become assets. It will flow into financial institutions both domestically and overseas, creating new asset bubble, which might lead to inflation both in the US and globally, and even an uncontrollable situation.

The new round of quantitative easing has brought fresh risks to the majority of the emerging markets. The recent uncontrollable issuing of the dollar and the continued rising of international commodity prices are bringing imported inflationary shocks to developing countries.

The world's creditor countries and emerging economies have been pushed to the edge of potentially malignant inflation and disorderly currency devaluation.

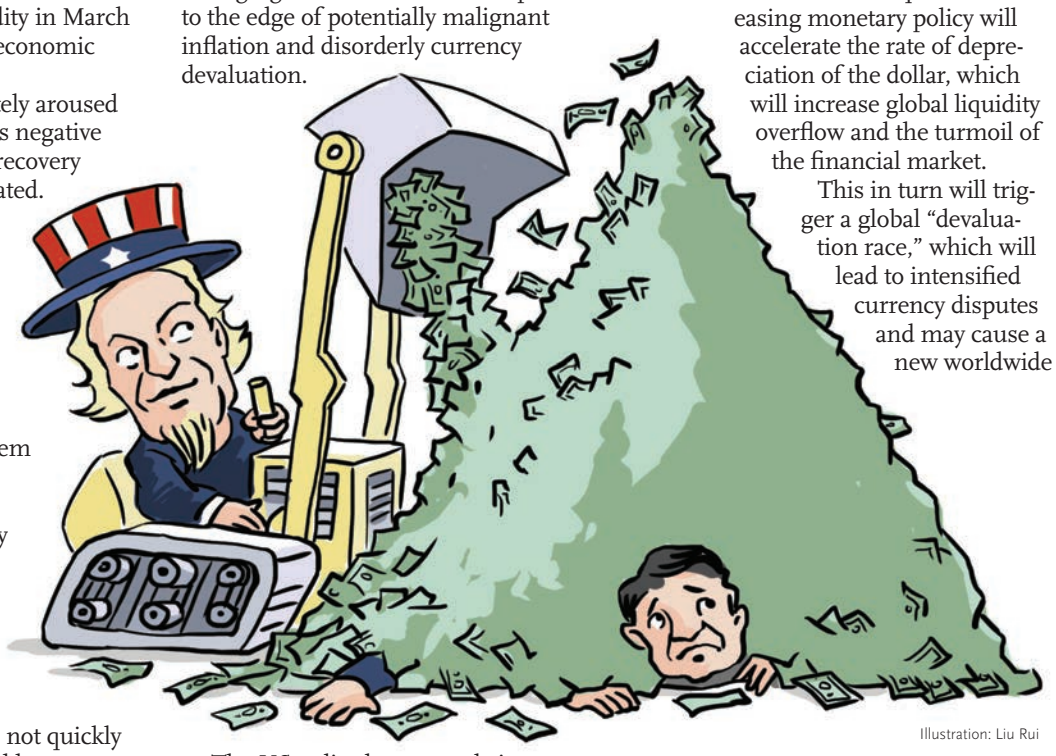

Illustration: Liu Rui

The US policy has not only increased imported inflationary pressure, but also made China suffer huge losses of foreign reserves.

Although central banks in emerging economies can avoid more hot money inflows by delaying raising interest rates, this may lead to asset bubbles and inflation.

Meanwhile, these economies are facing the pressure to allow their currencies to appreciate, but are worried that the surge in capital inflows will destroy the country's economic stability, which traps China and other emerging economies in a worsening dilemma.

The Federal Reserve's quantitative easing monetary policy will accelerate the rate of depreciation of the dollar, which will increase global liquidity overflow and the turmoil of the financial market.

This in turn will trigger a global "devaluation race," which will lead to intensified currency disputes and may cause a new worldwide "currency war" and trade protectionism, thus threatening global economic recovery.

Recently, the collective sharp appreciation of currencies of some emerging economies has aroused great concerns from the governments and monetary authorities of these countries, because it has affected their exports and even their overall economic development.

Fundamentally, the US quantitative easing monetary policy involves the Federal Reserve using dollars to buy all kinds of bonds and non-performing assets. Its essence is uncontrolled money printing, which is effectively equal to the indirect manipulation of the exchange rate.

If the over-issuing of dollars is not controlled, global monetary and exchange rate system will be trapped in turmoil and it will be difficult for the global economy to escape the crisis of instability and imbalance.

In the current international economic situation, countries should cooperate in controlling the irresponsible acts of the US. Countries with emerging economies should prudently raise interest rates, try to use quantitative means to handle liquidity and avoid excessive appreciation of their currencies.

Meanwhile, they should be prepared to deal with the exchange rate friction, trade disputes, inflation, and the long-term regulation of hot money.

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