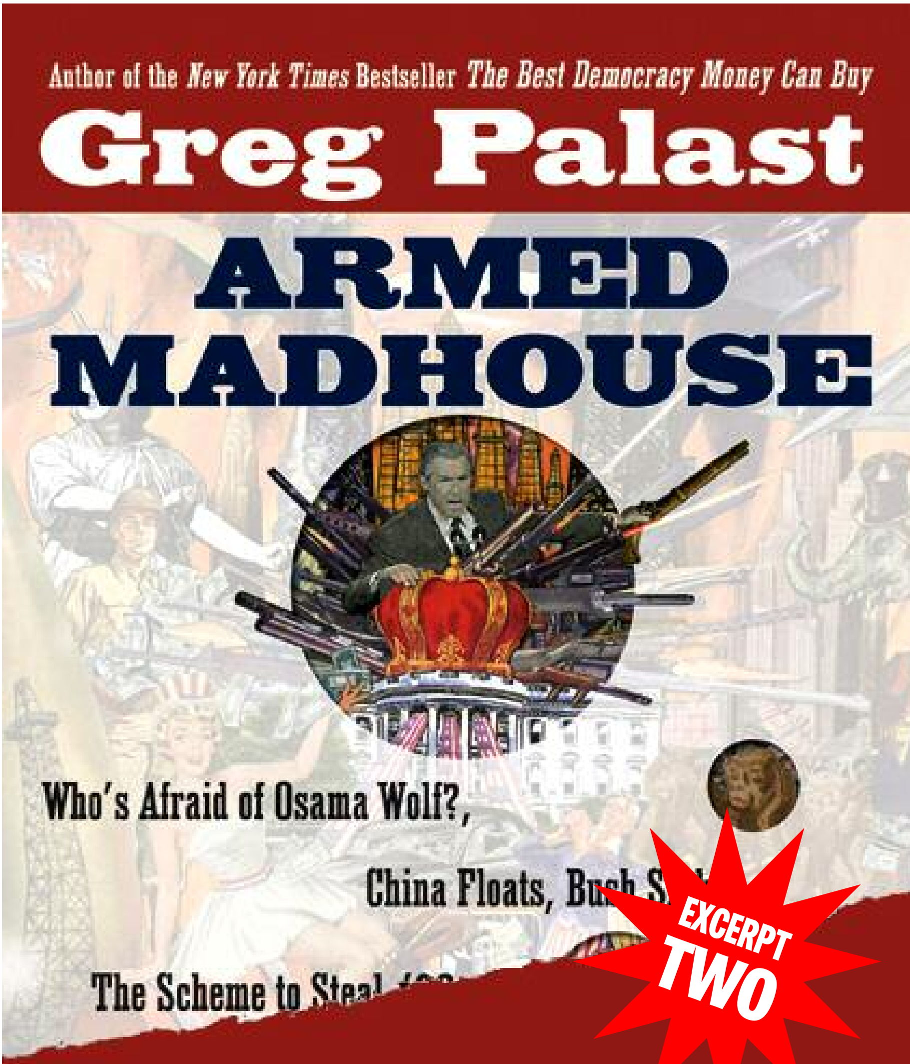


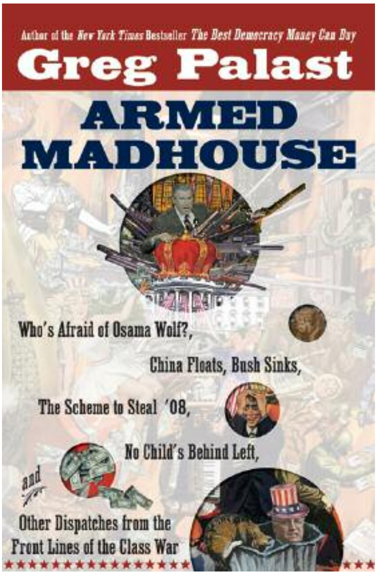
EXCERPT TWO

THE NETWORK

THE WORLD AS A COMPANY TOWN

Our second excerpt from Greg Palast's new book, ARMED MADHOUSE

ColdType



AN EXCERPT FROM

ARMED MADHOUSE

Who's Afraid of Osama Wolf?, China Floats, Bush Sinks,
The Scheme to Steal '08, No Child's Behind Left
& Other Dispatches from the Front Lines of the Class War

(US$ 25.95)

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ColdType

WRITING WORTH READING FROM AROUND THE WORLD
www.coldtype.net

ABOUT THE AUTHOR

"A cross between Sam Spade and Sherlock Holmes" (Jim Hightower), Greg Palast turned his skills to journalism after two decades as a top investigator of corporate fraud and racketeering. A persona non-grata in the United States, Palast's reports have been exiled to BBC's top current affiars show, *Newsnight*, and Britain's *Guardian* newspaper. He is a Patron of the Trinity College Philosophical Society, an honour previously held by Jonathan Swift and Oscar Wilde.

He is also the author of **The Best Democracy Money Can Buy:** The Truth About Corporate Cons, Globalization, and High-Finance Fraudsters (Pluto, 2004), and **Democracy and Regulation:** How The Public Can Govern Essential Services (with Jerrold Oppenheim and Theo MacGregor – United Nations-ILO-Pluto Press, 2003)

His most recent film is **Bush Family Fortunes** (BBC, 2003); and his spoken word CD, **Weapon of Mass Instruction** (Alternative Tentacles, 200)

Palast's web site is **www.gregpalast.com**

CHAPTER 3

THE NETWORK

The World as a Company Town

The holistic system of systems, petro-dollars, electro-dollars, the assassination of Hugo Chávez, Euro-nations and Mundell's Toilet and coming down from Hubbert's Peak. Mr. Friedman tees off.

"*Am I getting through to you, Mr. Beale?*" The Arabs have taken billions of dollars out of this country, and now *they must put it back*. It is ebb and flow, tidal *gravity*, it is ecological *balance*. You are an old man who thinks in terms of nations and peoples. *There are no nations*. There are no peoples. There are no Russians. There are no Arabs. There are no "Third Worlds." There is no "West." There is only *one holistic system of systems*, one vast and immense, interwoven, interacting, multi-variate, multi-national dominion of dollars! *Petro-dollars. Electro-dollars. Multi-dollars*. Reichmarks, rins, rubles, pounds and shekels! It is the *international system of currency* which determines the totality of life on this planet. That is the natural order of things today. That is the atomic, and subatomic and galactic structure of things today. *Am I getting through to you, Mr. Beale?* You get up and howl about America and democracy. *There is no America*. There is *no* democracy. There is only IBM, and ITT, and AT&T, and DuPont, Dow, Union

> Carbide, and Exxon—*those* are the nations of the world today. *We no longer live in a world of nations and ideologies*, Mr. Beale. The world is a college of corporations, inexorably determined by the immutable by-laws of business. The world *is* a business, Mr. Beale. And our children will live, Mr. Beale, to see that *perfect world in which there's no war or famine, oppression or brutality. One vast and ecumenical holding company, for whom all men will work to serve a common profit, in which all men will hold a share of stock, all necessities provided, all anxieties tranquilized, all boredom amused.* And I have chosen *you* to preach this evangel, Mr. Beale.

There is really nothing more to add to Paddy Chayevsky's script from the movie *Network* to understand The System, the ebb and flow, except to update the details. In the three decades since *Network* first screened, the "holistic system" has become more holistic: Neither reichsmarks nor Karl Marx exist except in grainy documentaries.

And "to preach the evangel" of a borderless, interconnected, tranquilized corporate utopian earth in which we all own shares of stock, Mr. Beale has been replaced, of course, by Thomas Friedman.

Petro-Dollars

Let's take the *Network* economics lesson a step at a time: the "multinational dominion of dollars"; multi-dollars, electro-dollars and first, petro-dollars.

> The Arabs have taken billions of dollars out of this country, and now *they must put it back*.

Indeed they must. In April 2005, when George Bush drove the King-to-be of Saudi Arabia around the Crawford ranch in a golf cart, the President wasn't playing caddy to Abdullah because we need the

Saudis' oil. OPEC nations will always sell us their oil. After all, they can't eat the crude nor drink it and there's only so much Abdullah's harem can pour on his belly. George Bush's concern is that, in the first five years of his Administration, Abdullah and the oil-exporting nations sucked up over half a trillion dollars from U.S. consumers—$649 billion for their oil—and our President wants it all back. He needs it.

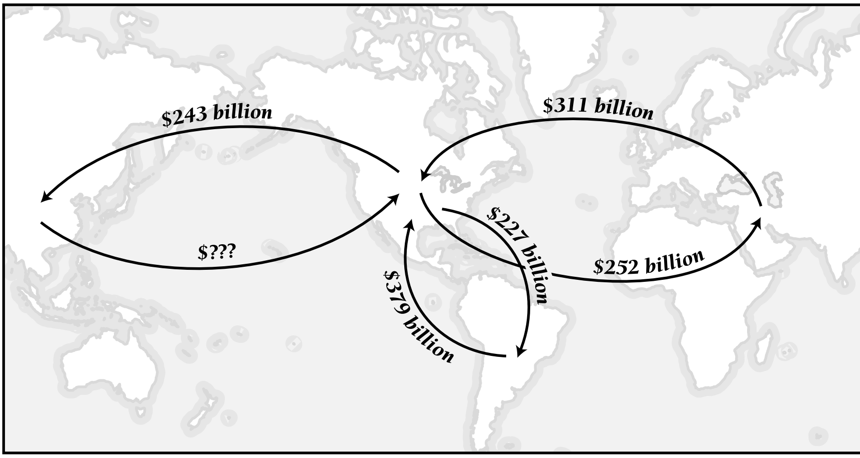
Why? Empire isn't cheap these days. Bill Clinton left office bequeathing a budget surplus projected to total $5.6 *trillion* for this coming decade. But George Bush blew it all, stone sober. Then Bush went another $4 trillion into the red. It's not just the Iraq war. We have to add in a trillion dollars over the next ten years to make up for the revenues lost from his repealing the inheritance tax. And will need another $6 billion for filling up the Strategic Petroleum Reserve, and don't forget his "Marines in a Tube" price tag: $64.7 billion. Then add in the Big One, taking over the pension obligations of U.S. corporations that have, with Bush's blessing, dumped their commitments on the U.S. Treasury: $142 billion.

To fund his binge spending, our President could have taxed us directly, say, a dollar a gallon tax on gasoline. But a gas tax is, politically, a no-go. Instead, our leader has arranged an *indirect* tax on gasoline: OPEC's $50-plus price for a barrel of crude, which translates roughly into an extra dollar a gallon at the pump.

Think of the gas pump price spike as a war tax.

Saudi Arabia and other OPEC nations take our billions and then they lend them back to us to fund Mr. Bush's deficit. In 2005, $243 billion in petro-dollars was collected from Americans at the pump (and in your heating and electric bills) and left the country. At the same time, it cycled back, and then some, as foreigners bought up nearly a third of a trillion dollars ($311 billion) in U.S. government debts. Mr. Bush spent every penny of it, and more.

Under the Bush Administration, the sum of Treasury bills on the market rose, by August 2005, to $4.11 trillion, with half of it ($2.06



The Flow Map.

The Arabs took $252 billion in 2005 for OPEC's oil-and put back $311 billion by purchasing U.S. Treasury bills, Latin America borrowed $227 billion at high interest—while lending the U.S. $379 billion at low interest. Americans bought $243 billion in stuff from China—while China holds an unknown sum (a trillion?) in reserve to buy up the U.S.

trillion) lent to us from dollars held by foreigners. In fact, the Bush Administration has, on a net basis, borrowed the entire increase in Treasury debt from foreign sources. The only way to get that much money *in* is to let it bleed *out*.

That's the "petro-dollar cycle," Mr. Beale. It flows out; it comes back.

It's one heck of a deal for this Administration. All the goodies, from nuclear subs to tax cuts to war in Mesopotamia, appear to be "free" to the taxpayer. It's all just put on the tab, the national debt, including the interest on it. The actual cash needed to pay for these budget busters is first collected from U.S. consumers via the hidden oil tax for which Mr. Bush takes no blame.

Why would Abdullah give us our money back? Why wouldn't the Saudi royals and the emirs of the Persian Gulf use their trillion-dollar windfall to invest in the Islamic world, from Morocco to Palestine to Pakistan? Why do the Gulf States just hand the capital back to the banks of New York and London? The answer: *protection*. The Saudis may love their Islamic brothers, but they *fear* them more. The sheikdoms know they can count on the Bush family when a Saddam marches into Kuwait or Osama's cadres try to seize Abdullah's throne. They know they can count on the USA because they pay for it. The marching song of the Saudi Army is, after all, "Onward Christian Soldiers."

Every dictator (or "royal" if you prefer) knows that there's another advantage to parking their loot in the West. If "regime change" occurs in Saudi Arabia, if the House of Saud caves in, the bulk of its funds will be safely stashed in New York, London and Zurich.

Our petro-dollars go out, then come back, all of them, but at a high cost. First, there's the interest. Despite the Koran's prohibition on the charging of interest, the Saudis and other oil states demand no small pound of flesh. When interest rates rise to lure back our money from King Abdullah, the rest of us must pay higher interest as well. Between June 2004 and November 2005, the Federal Reserve had to hike interest rates twelve times. And, as we'll discuss further on, we pay the interest "vigorish" not just in higher credit card fees, we pay in jobs.

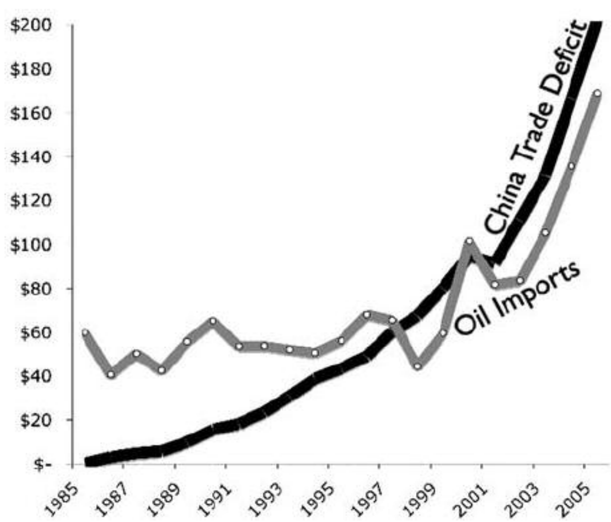
Because of Mr. Bush's deficits, U.S. federal government interest payments for 2002 through 2011 will total about $2.4 trillion. (If we had to pay only the debts Bill Clinton left us, the interest payout would have been just a fourth of that, $622 billion.) Mr. Bush's interest payments themselves are on the tab as well, rolled into the national debt. We pay a "shadow" cost for that too. Higher borrowing costs for business since the beginning of the Iraq war are bleeding manufacturing investment.

But then, manufacturing is *so*, like, twentieth century. Who wants manufacturing industries anyway?

The Other Saudi Arabia

The answer is, the *other* Saudi Arabia wants them: China. Two decades ago, trade with China was small potatoes. Look at the chart on p. 148, "OPEC Revenues vs. U.S. Trade Deficit with China." Look at the dotted line, the amount we bought from the Chinese less the amount they bought from us. The difference, the rising black line, is our "trade deficit." In 1985, our trade deficit with China was absolute zero: We sold them $3.9 billion in goods, they sold us $3.9 billion in goods in return. "Even Steven," as my kids say. Today, we no longer trade with China. We *buy* from China. And buy and buy. In 2004, we bought $197 billion in goods from the Chinese. They purchased only $35 billion from the U.S., for a net trade deficit of $163 billion. In 2005, our trade deficit with China broke through the stratosphere to $202 billion.

America's addiction to OPEC's oil ain't nuthin' compared to America's addiction to Chinese toys, lipstick, fake Christmas trees and slippers with bunny faces on them. "Sino dollars," the cash we export to China, has leaped ahead of petro-dollars, the money taken from the West by the oil exporting nations. Financially, China is the new Saudi Arabia, but bigger. Over the two terms of this Administration, we expect the net cash paid to China for its goods to reach one trillion dollars. And now, Mr. Beale, *we must get it back*. How?



OPEC Revenues vs. U.S. Trade Deficit with China

On July 22, 2005, the President, beside himself with idiot glee, took personal credit for China's "revaluing" its currency, the yuan. The press applauded, unanimously, and egghead-looking TV analysts in bow ties told us that this was a great boon for U.S. manufacturing employment.

Was it?

First off, most Americans haven't the least idea what "revaluing" China's money means. Let me put it in the language of economics: *The revaluation of the yuan didn't mean squat* . . . at least in terms of saving American manufacturing jobs. In simple terms, "revaluation" means that it takes fewer Chinese yuan to buy an American dollar. The White House peddled the line that this slight alteration of exchange rates makes our products cheaper for the Chinese and they'll buy more from us.

They didn't.

Why not? Currency Exchange Rate Economics Lesson Number One: You can't change the value of goods by changing the value of the currency on the price tag. The price inflates to compensate for the currency change. As my comrade the economist Art Laffer reminded me: "If cheap currency makes your products more competitive, all automobiles would be made in Russia." Driven a Lada lately?

Currency Exchange Rate Economics Lesson Number Two: Don't take economics lessons from George Bush.

By definition, *revaluing* the yuan means *devaluing* the dollar. Imagine if our President had put the news differently:

> My fellow Americans, today I am proud to announce that this Administration has successfully devalued the dollar. Dollars are now worth less compared to Chinese money. Your pensions are worth less, your savings have been shaved in value. Devaluation of the U.S. dollar leads to price inflation in the USA. Always. And get ready for this. We're going to have to buy our own money back from

China—and it will now cost us more. The U.S. Treasury will have to raise interest rates to get the Chinese to return the loot. So yes, there's an effect on manufacturing jobs. Kiss them good-bye. And may God bless America.

Class dismissed.

Almost. There's another way to get the money back besides trying to sell China more goods or by raising interest rates to borrow our money back from them. If China won't buy our manufactured goods, they can return our capital by *buying our manufacturers*. It is no accident that the very week China raised the value of its currency, the Chinese state oil company made a cash bid for Unocal Oil of California. Raising the value of the yuan cut the price of Unocal to the Chinese by about half a billion dollars. The Bush Administration was unhappy, but not about a foreign takeover of a strategic industry. Rather, our Treasury Secretary John Snow flew to Beijing to demand the Chinese hike their currency even higher, demanding the Chinese further devalue the U.S. dollar.

Under Bill Clinton's Treasury Secretary Robert Rubin, the USA had a "strong dollar" policy. In those Clinton years, the highly valued U.S. currency lorded it over cheap euros and yuan. America owned the world, literally. How things have changed. Now, it's America for sale. Cheap. In 2004, for example, foreigners, flush with the cash the U.S. sent to them, bought up $1.05 trillion of U.S. assets—stocks, real estate, companies, whatever. That's on top of the sum lent to Mr. Bush for his deficit. What's clear is that the new regime that came to Washington in 2001 brought a new agenda.

And what is that new agenda?

Yuan Your Social Security? The Soylent Green Solution

The year is 2036. Bill Gates, by now only a shriveled brain in a jar wired to a blinking Vivitron, plays video games. Gates—or at least his neurons—doesn't realize that he's poor, *kaput*, about to be unplugged.

George W. Bush remains in a persistent vegetative state. He laughs, he cries and he defends the privatization of Social Security. "The government can't take away your personal account," he repeats, pathetically, horrifically. When those private accounts were kicked off in 2012, the stock market, hyped up by two trillion dollars in new cash siphoned from the Social Security Trust Fund, took off like a bat out of hell. The Dow hit 16,000. Then, in 2030, the babies of the Baby Boomers retired and began to sell their stocks. And sell and sell. But there was no one to sell to. The boom of 2012 became the bust of 2036. The last Mekong Motors (formerly, General Motors) auto rolled off a U.S. assembly line and SinoSoft folded its Microsoft subsidiary.

Looking back, the 93-year-old Paul Krugman jumps over his walker, shouting, "I told you so!"

You have to love Paul Krugman. How he stays with *The New York Times* and keeps his soul is a great mystery. Krugman, bless him, has been riding up and down the East Coast for the last decade like a financial Paul Revere shouting, *"Privatizing social security is a fraud! Privatizing social security is a fraud!"*

Unlike columnist Thomas Friedman, Krugman does not pretend to be an economist—Krugman actually *is* an economist. But here, he may have let his patriotism gum up his calculator.

Let me explain. President Bush insists that every American will earn a bigger pension if only we invest our Social Security funds in the stock market rather than let the U.S. Treasury invest our retirement in Treasury bills. The market, says our President, will "outperform" Treasury bills (that is, win a higher return) forever and ever. It's money for nothing. Just shift your retirement fund from the Treasury bond market to the stock market.

There's a problem with our President's fishes-and-loaves sales pitch for Social Security privatization. First, the cold laws of finance tell us that the market cannot provide us risk-free returns above Treasury bills forever. If that were true, *no one* would ever buy a Treasury bill—and then how would Mr. Bush finance the debt?

Second, it's true the stock market zoomed over the last couple of decades. But the American economy is aging, and *those big gains are history, long gone.* Because our Social Security insurance payments purchase Treasury bills, our Social Security trust fund is, in effect, a giant bet on the U.S. economy. Our "profits" on this investment in ourselves, cautions Krugman, are "equal only to the rate of economic growth" in the USA. Think of the total value of all investments in the USA. Slice it any way you want—into stocks, bonds and Treasury bills held in private accounts or public accounts. Change the size of the slices or rename them from "public" to "private"—you can't increase the ultimate size of the America pie.

But then, who says Mr. Bush expects us to invest in *America*?

Remember: *There is no America, Mr. Beale. It is the international system of currency that determines the totality of life on this planet.*

The USA's economy grows by 4% in a very good year. But China is rising at 9% per year, twice as fast as America. There is one flaw in Krugman's calculations. Krugman's one error is that he's a patriot, and therefore cannot understand our rulers' cold agenda. As professor Joseph White of Case Western Reserve University explained to me:

> Social Security privatization is the realization that America's economic growth is at a plateau, on a flat line—whereas China and India and Malaysia are taking off—providing market returns twice that of U.S.-based industry.

In other words, Social Security privatization is about moving our capital from a dying economy (America) to rising economies, like China.

The money flows out, it flows back in, then it flows out again.

There is nothing new in this process of national abandonment. In the twentieth century, the elites of Argentina and other Third World nations sold their plantations and mines and infrastructure to foreign (i.e., American) multinational corporations. Argentina's "*ricos*" cashed out and moved to Miami. In the twenty-first century, it is America's elite that is cashing out, abandoning ship. They will maintain their condos in New York, but their capital will live abroad. Your Social

Security funds will subsidize their escape, leveraging their foreign ventures.

But what do we do with the old folk? While some of our Social Security tax goes to buy Treasury bills, most still goes to pay today's retirees. This is America's "pay-as-you-go" system. How do we keep up payments to those already retired, who've paid their insurance over a lifetime, if we withhold our money for private accounts? We can't. The privatizers in the Administration call this potential for disastrous collapse of old-age pensions a "transition issue." In fact, it's a debt of up to $3 trillion to current retirees. We must get it by borrowing or by cutting benefits or by taxation (in other words, a Social Security tax to replace the Social Security tax). There's only one way around this "transition" conundrum: The *Soylent Green* solution. I've heard the White House is carefully studying the transition method used in that old sci-fi classic: The elderly can be turned into a cheap source of protein.

The World Is Tilted

My own sequel to *Network* has an odd and unbelievable opening. The new Mr. Beale flies business class from Frankfurt, Germany, to Bangalore, India. On arrival, he is whisked off in an air-conditioned limo by a fabulously rich Indian dot-com CEO to a golf course. On the greens, Beale's replacement, "Thomas Friedman," has an epiphany: These eighteen holes on the Arabian Sea are just like the links in Stamford, Connecticut, which are just like the back nine in Palm Beach which are similar to the greens in Singapore. *"The world is flat!"* he declares, one large economic fairway, smooth and wide and freshly mowed, with no obstacles, no mountains to cross, no borders or fences between you and the flag sticking out of the hole. And every man and woman on the course is equal, an international brotherhood, at the tee-off.

Friedman imagines that, through some high-tech Internet abracadabra, all the greens will one day connect across the planet into one giant economic fairway. In his future, you will be able to play straight through from Bangalore to Boston to Bangkok to Berlin. But first, there will have to be some radical changes in the way business is done: Obsolete trade barriers between nations will have to come down, stodgy public industries must be sold into private entrepreneurial hands, the entangling weeds of business regulation must be slashed, the sand traps of nitpicky bureaucracies abolished, the obstructions of selfish labor union contracts cleared away and—*presto!*—prosperity and peace shall reign forever and ever. *Fore!*

Frighteningly, *Network's* sequel is not a movie. Thomas Friedman really did (he writes) fly business class to Bangalore, India, played eighteen holes with an olive-skinned CEO and on those links had the geomorphically suspect vision that led him to write *The World Is Flat*.

Friedman has spoken with people of all colors and genders around the world: the Chairman of Intel, the dictator of Malaysia, sweatshop owners, currency speculators and Silicon Valley magnates. And everyone in business class agrees that this brave new prosperity will at first require some sacrifices. Friedman announces who should do the sacrificing:

> Europe can no longer sustain its 35-hour workweeks and lavish welfare states because of the rising competition from low-wage, high-aspiration China, as well as from India and Eastern Europe.

And thus, Friedman concludes, China will snuff the torch of "European socialism." It's simple arithmetic, according to Friedman. Europeans can't "preserve a 35-hour workweek in a world where Indian engineers are ready to work a 35-hour day."

What he need not add is that if a 35-hour week is a frivolous luxury for the French, then the 40-hour week in U.S. law is hardly less extravagant. Luckily for us, it too will soon go. (See "The Grinch That Stole Overtime" in Chapter 5.)

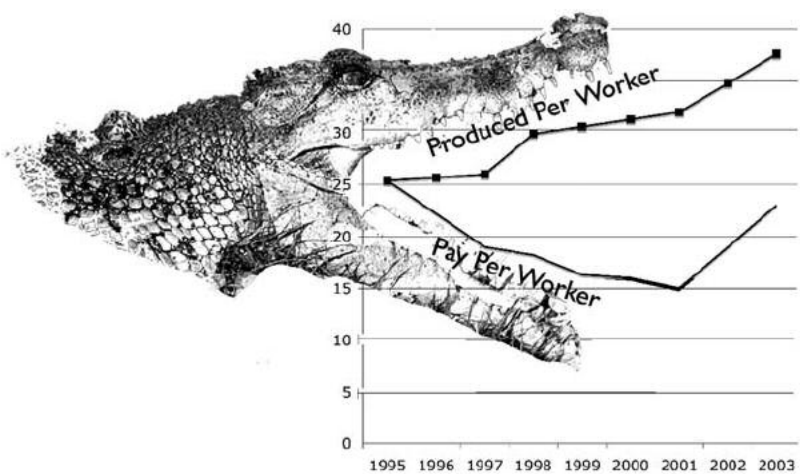
Just as Europe's 35-hour week cannot survive global competition, and America's 40-hour week cannot survive, neither can India maintain a 50-hour week. The very month that Friedman's *The World Is Flat* hit the bestseller list, India's government lifted the limit on the workweek in textile sweatshops from 50 hours a week to 60. After all, Indians too have to compete against China. China's workweek? The clothes in Wal-Mart with the chilling label "New Order" are manufactured by the People's Liberation Army. What are the work hours of Chinese conscripts? If you know what's good for you, you won't ask.

Someone who did ask was Harry Wu, the only man I've ever met who broke *into* a prison. Born in China, jailed there, then exiled to America, Wu returned to his homeland and snuck into his former jail compound to document the brutal work conditions in China's prison factories, the world's largest pool of enslaved labor for hire. Wal-Mart, by the way, prohibits its Chinese suppliers from using shackled labor. However, the retailer can't inspect prisons and therefore, notes Wu, can't possibly know where all its goods come from. Little matter, all of China is a prison economy. Any Chinese citizen who challenges, as Wu did, working conditions have "high aspirations" beaten into them.

Like Thomas Friedman, I've also flown to Bangalore, admittedly not business class. And to tell the truth, I didn't even *know* there was a golf course there. Most Indians don't know that either. But that's nitpicking, I suppose. Friedman is correct in that I also found Indians willing to work a 35-hour day. And he could have added that, in Karnataka State, which includes Bangalore, Indian families are ready to sell their children as "temple dancers"—sex slaves—just to survive.

Friedman praises the New India, deregulated, privatized and freed of the shackles of Old India's socialist welfare state. I've seen the New India: Nearly a billion people in shacks supporting a teeny minority's right to shop in air-conditioned malls. It is a Fritz Lang film in Hindi. Just look at the numbers. India's productivity has exploded, tripling in two decades to the world's fourth largest in purchasing power. But not many Indians are doing the purchasing. The average Indian can't even manage eighteen holes on the weekend—79.9% of the population still makes under $2 a day. India's government could have addressed this imbalance with a progressive income tax. But that's so New Deal, so Round World. Rather, to the applause of the International Monetary Fund, India's free-market-mad central government figured out how to make the unequal distribution of wealth even less equal. The government now taxes those wages of $2 a day through a regressive sales tax, the VAT ("value-added tax").

The new "flat earthers" might say the two-bucks-a-day wage is a vestige of the Old India, of rural villages with oxen-plowed fields. What about the New India, the new manufacturing colossus that lifted India's gross domestic output by 48% per worker in just six years (1997–2003). In that same six years, wages in this modernized manufacturing sector went from 25 cents an hour to . . . 23 cents. Who got the gap? That is, who pocketed the value of the extra output, which, obviously, didn't go into wages? One hundred percent of the value of the new manufacturing output went to India's richest one percent, the new pashas of subcontinental industry, who've doubled their slice of the nation's income over the past decade.



Flat World Tilted in India

From 1995 to 2003, national output in India grew by 48%, but manufacturing wages sank from 25 cents an hour to 23 cents. The extra national wealth rolled uphill into the pockets of the wealthy.

The avalanche of publicity about America's I.T. outsourcing to India features images of futuristic uplink satellite dishes shuttling code to Seattle. But the high tech sector employs barely one million Indians, about one-third of one percent of the workforce. Indian's Blakean Dark Satanic textile mills employ 38 million.

Doubtless, a new "middle" class of technocrats has profited. Yet, many of India's educated now find themselves, just like programmers in Palo Alto, in a murderous intercontinental competition to cut their wages in hopes of buying themselves a job in the new digital sweatshops.

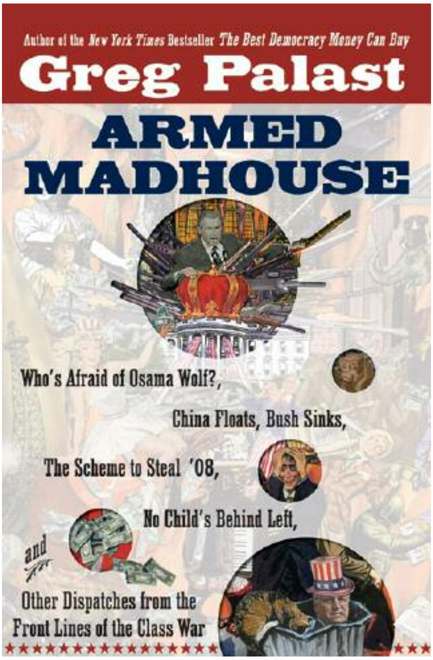
As it is in India, so it is in China, parts of South America and most of Europe.

The world may be "flat," Mr. Friedman, but it is *tilted.* India's wealth, Europe's wealth, China's wealth, the entire planet's wealth, with precious few exceptions, is flowing from those who have a little to those who have a lot. Here are the stats:

- Since the fall of The Wall, Russia, formerly of the Soviet Union, has gone from zero billionaires to 36. What's wrong with that? Answer: There's no such thing as a free lunch—or a free billionaire. The transfer of wealth was paid for by demolition of the health care system. Spending on medicine and hospital care fell by two-thirds after the Soviet Union became Russia, and, according to the International Union for the Scientific Study of Population (Paris), "about half the [remaining] money spent on health care benefits an elite medical network that serves only the best connected 1%" of Russia's population. As a result, according to the Center for Disease Control in Atlanta, Russian life expectancy has fallen by 4 years. Unless you're an oligarch, you die young. Now *that's* pension reform.
- Poland, following free-market Pied Pipers after the implosion of the Soviet Union, had, by 2005, successfully unemployed 18% of its workforce. That's the official number, which would have been higher, except that herds of Poland's skilled workers have been

sent to rove Western Europe. The desperate droves of Polish workers were used as a tool for bending Germany's workforce into submission. From 1995 to 2003, the average German's pay was cut 4.7%.

- China, Mr. Friedman's heartthrob, is, he tells us, our future. How looks it out there in The Future? In a single year, 2005, China's richest forty businessmen saw their net worth rise by 44% to $26 billion. That's in U.S. dollars—obtained from U.S. pockets. And they aren't sharing. Employees in their new entrepreneurial private companies earn an average 8,033 yuan ($994) a year. Those workers stuck in the "past"—the old state enterprises—earn nearly twice as much: 14,577 yuan ($1,803) a year. The pay cut has slid into the pockets of "entrepreneurs," the new factory owners, who take home twenty-five times their average worker's pay.



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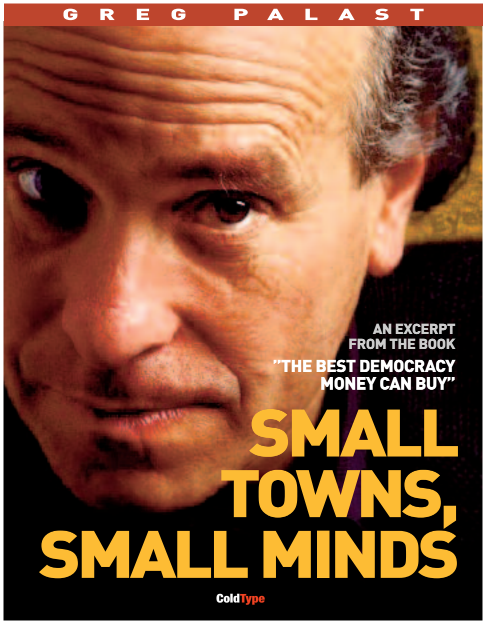
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