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Neal St. Anthony: American economic problems require looking in a mirror

Investor Gene Sit says China can address many of its challenges and urges America to fix its spending and energy problems, which are making U.S. assets cheap.

By [Neal St. Anthony](#), Star Tribune

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Judging from our trade balance, most Americans remain in love with low-cost Chinese products, despite some high-profile safety recalls this year.

The Chinese government has taken its profits and acquired about \$1.5 trillion in U.S. foreign reserves. That figure includes about \$600 billion in U.S. bonds sold to plug the gap between our spending and tax receipts. In short, we're in hock to China and Saudi Arabia, thanks to our spendthrift ways and profligate oil consumption.

By the way, if you take a Social Security check, Medicare, Medicaid, farm subsidy or anything else from the federal trough, please don't call to complain that the real problem is immigration.

In the last six years, the value of the U.S. dollar has plunged against rival currencies. The result?

"American assets are cheap," said Gene Sit, a dean of the Twin Cities investment and philanthropic community, a native of China who visits the mainland regularly. "Foreigners are going to do what we did to them after World War II: buy their assets."

Sit, 70, who left China ahead of the Communist revolution in 1949, is a member of the "Committee of 100" most influential Chinese-American citizens, recognized for improving economic and diplomatic relations between the two countries. He returned several days ago from his latest trip to Hong Kong, Beijing and elsewhere.

The Chinese economy, although smaller than that of the United States, is growing at a 10 percent annual clip, compared with our 3 percent.

Commercial and government leaders, as well as the people of the two countries, admire each other, according to a recent survey underwritten by the Committee of 100 (www.committee100.org) Both sides are optimistic about China's economic future. At the same time, American and Chinese leaders cite Chinese corruption, poor enforcement of intellectual property rights and bureaucratic interference as huge concerns and impediments to better relations.

The Chinese economy is overheated. Its stock markets sell at huge premiums to the U.S. markets. And a high-end condo in Hong Kong sells for \$5,000 per square foot, compared with \$3,000 per square foot in New York or \$600 per square foot in downtown Minneapolis.

Poverty remains rampant in China. The average income is only about \$3,000 in a country increasingly known for huge discrepancies between the rich and poor. The air and water are polluted. And China has to import fuel and food to sustain its increasingly outspoken people.

"This is not an open society," Sit said. "They have problems. But don't underestimate these guys."

The Communist leadership has announced plans to slow economic growth, become more energy-efficient, cut corruption through public trials, foster more democracy and invest more in infrastructure, public transportation, clean air and water. To do that, the government is going to have to raise wages for workers and taxes on the wealthy. China pays about 18 percent of economic output in taxes vs. 37 percent in the United States.

Bottom line: It's going to get more expensive to produce in China. And U.S. manufacturing already is rebounding.


Sit, a centrist Republican, said America must develop more new sources of clean energy, which will reduce the exit of dollars to the Middle East and other unstable areas. We also need to produce more scientists and engineers, educate our kids better and open the door wider to the next generation of talented foreign students at our universities. These folks often become the next Gene Sits, Steve Chens, Paul Chus and Roger Ruans -- leading American investors, scientists and industrialists.

The Chinese admire us for our freedoms and innovative spirit.

"China is peaceful and the wealth they have gained from us has made them more [economically and politically] stable," Sit said. "They will need to slow their growth and invest in infrastructure and public health. They need to spend more on labor and raise taxes. They know that."

Meanwhile, in the United States, Sit said, "we've been prostituting our fiscal policy, and that's come home to roost. We have to live within our means and start to save more for the future. We need national leaders who will ask for sacrifice and we need to invest in clean nuclear power, energy conservation and energy alternatives. That will strengthen our economy. "


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