

China's Stock Market Collapse, Prospects for the Broader Global Economy

Conversations with Radhika Desai and Jack Rasmus. Global Research News Hour Episode 127

By [Michael Welch](#) and [Dr. Jack Rasmus](#)

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"The bottom has fallen out of the market in the last two weeks. Investors have lost confidence after two weeks of meddling by government officials."

-Francis Lun, Chief Executive Officer at GEO Securities Ltd in Hong Kong [1]

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As the Asian Stock market comes to the end of its second week of trading in 2016, Chinese Stocks continue their massive sell-off. China's Benchmark index, the Shanghai composite ended its January 15th trading day down over 20% from their most recent high on December 22. This technically places the market in BEAR territory. The January 15th close was its worst in two years. [2][3]

Alarm bells have been set off in the international community after automatic circuit-breakers were triggered in Chinese stock trading which were designed to prevent precipitous collapses. On January 7th, China's stocks tumbled 7% in just 29 minutes, resulting in the shortest day of trading in the Chinese market's 25 year history. [4]

The Peoples Bank of China has been allowing China's currency, the Yuan to drop while intervening to bring it back up to prevent a precipitous decline. [5]

China's previous bear market occurred in August when \$5 trillion were wiped off of global stock prices.[6]

On this week's Global Research News Hour we look at the fundamentals of the Chinese economy and the recent stock market activity and try to determine what they portend for the global economy going into the future.

In the first half hour, we hear from Radhika Desai, Professor at the Department of Political Studies at the University of Manitoba and Director of the [Geopolitical Economy Research Group](#) at that same institution. Professor Desai dismisses the Western Press's descriptions of the stock turmoil as a calamity and points to the fundamental strengths of the Chinese economy, as well as the roles of the Asian Infrastructure Investment Bank and the One Belt One Road strategies in posing a challenge to the dominance of the Neo-Liberal model.

In the second half hour we hear from Jack Rasmus. He is a professor of economics and politics at St. Mary's College in California. He has a new book out – [Systemic Fragility in the Global Economy](#). Rasmus explains the roots of the turmoil in Chinese Markets, factoring in the liquidity generated by central banks, massive debts, currency devaluations and financial asset versus real asset investments in recent years. Professor Rasmus views the current crises facing emerging markets as merely a new form of the crisis that struck the US and North Atlantic countries in the wake of the Sub-Prime Mortgage meltdown in 2008-2009.

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Notes:

1. <http://www.bloomberg.com/news/articles/2016-01-15/china-stocks-head-for-third-week-of-losses-before-economic-data>
2. <http://www.marketwatch.com/story/china-stocks-still-close-to-bear-market-territory-201>

[6-01-14](#)

3. <http://www.ibtimes.com/china-stock-market-turns-bearish-other-asian-stocks-track-decline-2266725>
4. Shen Hong (January 7, 2016), "China Stocks: Trading Called Off for Second Time This Week", The Wall Street Journal;
<http://www.wsj.com/articles/china-stocks-trading-called-off-for-second-time-this-week-1452133928> et al (January 8, 2016),
5. "Markets stabilise after China strengthens currency and circuit breaker is axed";<http://www.telegraph.co.uk/finance/markets/12086208/China-stock-market-share-s-plunge-ftse-100-europe-live.html>
6. <http://www.ibtimes.com/black-monday-global-stocks-have-lost-5-trillion-chinas-yuan-devaluation-2065343>

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