

Jim Chanos: China Is Headed For A Huge Crash

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Politico reports that Jim Chanos is a big China Bear:

But there's a growing group of market professionals who see a different picture altogether. These self-styled China bears take the less popular view: that the much-vaunted Chinese economic miracle is nothing but a paper dragon. In fact, they argue that the Chinese have dangerously overheated their economy, building malls, luxury stores and infrastructure for which there is almost no demand, and that the entire system is teetering toward collapse.

A Chinese collapse, of course, would have profound effects on the United States, limiting China's ability to buy U.S. debt and provoking unknown political changes inside the Chinese regime.

The China bears could be dismissed as a bunch of cranks and grumps except for one member of the group: hedge fund investor Jim Chanos. [Read the whole thing >](#)

Chanos is reportedly attempting to short the entire Chinese economy. What's fueling the short case against China?

- The \$4.3 trillion Chinese economy is under-performing despite a \$900 billion stimulus program.
- China seems to be cooking its books. For instance, it reports that car sales are surging while gasoline consumption is flat. Is that realistic? Or are state run Chinese companies just stock-piling cars?
- China may have too much capacity. The central planners built out productive capacity for a booming economy but China is stalling. In nearly every sector of the economy, China is in danger of producing huge quantities of goods with no buyers.
- China's economic and political posturing signals that its leaders have no idea what is in store for them. The result may be a surprising economic collapse, akin to what happened when the housing bubble popped in the US.

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