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## Macau

*The gambling capital of the world*

I spent a day in the former Portuguese colony of Macau and was surprised by its charm (top picture) and not surprised by the tackiness of the casinos (second picture). The old town still has a European feel and unlike Hong Kong plenty of the old buildings remain.

But the reason to visit Macau is gambling.



Below is the Casino Liboa, one of the newer monstrosities built in the old town. Steve Wynn just opened across the street and other Las Vegas brands are setting up shop.



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The Chinese love of gambling would have made Macau a success, but it is currency conversion that has pushed Macau's "take" past Las Vegas.

The Chinese Yuan is not convertible into other currencies. If you earn Yuan in China you cannot take your cash out of the country.

However, there are many wealthy Chinese who would like to have US or Hong Kong Dollar bank accounts. The Chinese government recognizes that allowing some Yuan to leak out of the country prevents the wealthy from rebelling and so they allowed a back door currency market to develop in Macau. (Government officials want dollars too!)

Macau's casinos would be a fraction of the size of those in Las Vegas except for one game ---high stakes baccarat. If your object is to walk into a casino with Yuan and walk out with Hong Kong dollars baccarat is ideal. It is the only game where players can bet on their own hand and bet on the house's hand at the same time. What you lose in one pocket shows up in the other.

The casino takes about 1.5% from the games, which is not a bad rate for currency conversions that are not exactly within the law. Millions of Yuan are converted this way and western banks are conveniently located near the casinos to receive the winnings.

Macau and Hong Kong are both examples of the highly practical mindset among Chinese officials. They know their financial system is not ready for a convertible currency, but they also know there's an enormous appetite for financial freedom among the wealthy in China.

The government also knows that money would leak out of the country anyway through gold dealers or criminals. Macau visas let them control the activity and keep a handy list of those who go there frequently.

Macau solves several problems for the Chinese, but if you want to gamble, go to Vegas.

Best regards,



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