



Reform in China

To the Editor:

I am flattered that my recent book, *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China* (Stanford University Press, 2004) was reviewed in your journal by Scott Kennedy (“Divining China’s Future,” *WPJ*, winter 2004/05). Professor Kennedy offers a sympathetic assessment of the governance reforms I have discussed. I am disappointed, however, that the review is inaccurate or wrong on several key issues and would like to address these in the spirit of constructive dialogue.

Kennedy provides a service to readers by devoting almost a full page to enumerating the reforms I describe and analyze. There is no need to revisit that terrain, and discerning readers may wish to look at *Chinese Leviathan* on the range of institutional reforms occurring in China. Kennedy notes that my explanation for the Chinese leaders’ pursuit of these myriad reforms was “failure, weakness, and fear.” I am with him, thus far.

Kennedy then asserts, however, that in *Chinese Leviathan*, China’s central leaders “are all well-intentioned, rational, and committed to making the country a better place in which to live.” Some of these leaders are probably just as Professor Kennedy thinks I have portrayed them, but I would object to such a sweeping assertion, not the least because this statement flatly contradicts what was stated in the last paragraph. As the opening chapter of *Chinese Leviathan* (and elsewhere) makes clear, China’s leaders have often launched reform initiatives in response to real or perceived crises. Politicians do not make policy choices in a vacuum, and Chinese politicians are no exception.

On the issue of corruption, *Chinese Leviathan* diverges from the conventional wisdom. Based on analyses of various sectors prone to corruption and on surveys as well as Transparency International’s corruption perceptions index, *Chinese Leviathan* suggests that China’s leaders have made some modest progress in introducing institutions for corruption fighting. Yet I was cautious in concluding that “the absolute level of corruption perceptions remains high and underscores the need to fully implement existing reforms and launch new ones.”

Kennedy notes: “Yang points to signs of improvement on the corruption front, but other China specialists have found that corruption is on the rise.” Rather than engaging with my evidence or argument, however, Kennedy resorts to some sort of guerrilla criticism and, among other things, faults me for not having shown “some skepticism” in discussing China’s top leaders.

Kennedy’s criticism is unwarranted. The book mentions numerous corruption cases and even reports suspicions about some top leaders, notably former premier Li Peng’s family (p. 249, for instance). Nor was I starry-eyed about the era of Jiang Zemin, Zhu Rongji, et al. Let me provide an extended quote to illustrate my point:

While incoming party general secretary Jiang Zemin did pay lip service to Deng’s instructions on fighting corruption, anticorruption was at best secondary to the consolidation of power for Jiang for several years. Meanwhile, Deng’s push for hyper-

growth and rapid liberalization provided fertile soil for corruption as businesses set up by party, state, and government agencies mushroomed in much of the 1990s. Indeed, the widely touted “China Miracle” of the early 1990s was made possible by a sea of corrupt deeds and financial irregularities.... (p. 220)

Who would have said China’s leaders were “all well-intentioned”?

Kennedy asserts that “there is a campaign-like feel to these initiatives which suggests that once leaders’ attention shifts, enforcement will wane. Bureaucrats will not be service-oriented, and auditors will be less diligent.”

Such sweeping claims call for logic or supporting evidence. Without such logic or evidence, I stand by my conclusion that “most of the reforms...once adopted, are not likely to be reversed in the absence of major shocks to the system as a whole” (p. 257). Would any Chinese leader today advocate returning the Chinese armed forces to doing business? Or undoing the ongoing reforms in government budgeting, procurement, and financial management? Or abolishing the use of real names for bank accounts? Or...

Kennedy also concludes that “the evidence is still too meager to allow [Yang] to say anything definitive” about whether the reforms are working. He then makes three assertions on budget deficits, bank loans, and corruption. I have already discussed his point on corruption. On the declining ratio of nonperforming bank loans, I would agree with him that part of the decline was due to accounting gimmicks, but I would also suggest that Chinese banking performance, though far from ideal, has also improved and continues to improve. On China’s bud-

get deficits, he would do well to note that they rose in absolute numbers but have come down since 2003 and appear to be well within manageable range thanks to China’s rapidly expanding GDP. Just try to compare China’s government deficit as a ratio to GDP to that of most other countries (including our own).

China’s reforms are, as the book’s dust jacket says, a work in progress. But Professor Kennedy goes too far in saying that “the evidence is still too meager....” There is much evidence in the details of the book.

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Scott Kennedy replies:

Dali Yang’s book helpfully chronicles a plethora of bureaucratic reforms undertaken in China over the last decade. However, he overinterprets the evidence to argue that China is squarely on the path to becoming a regulatory state. Yang is long on describing new initiatives and short on systematically investigating how fully and widely they have been implemented. Any shortcomings are reduced to a subplot of the broader story of fundamental change. A more balanced analysis would recognize variation as the main story and then seek to explain its contours.

Yang also takes a pollyannaish view of China’s senior leaders. He may not call them “well-intentioned,” but he argues that they are now fully committed to rationalizing the state. He unquestioningly quotes their speeches since the late 1990s as if this is the case. It is more appropriate to see the leaders’ commitment as partial and fluctuating. Whether it be corruption, budget deficits, or the financial system, they are as much a part of the problem as part of the solution. ●