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978-0-521-87257-7 - *Factions and Finance in China: Elite Conflict and Inflation*

Victor C. Shih

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Factions and Finance in China

The contemporary Chinese financial system encapsulates two possible futures for China's economy. On the one hand, extremely rapid financial deepening accompanied by relatively stable prices drives a vigorous growth trajectory that will one day make China the world's largest economy. On the other hand, the colossal store of nonperforming loans in the banking sector augurs a troubling future. *Factions and Finance in China* inquires how elite factional politics has given rise to both of these outcomes since the reform in 1978. The competition over monetary policies between generalists in the Chinese Communist Party and politically engaged technocrats has time and again prevented inflation from spinning out of control. Nonetheless, elite politicians, whether party generalists or technocrats, continue to see the banking sector as a ready means of political capital, thus continuing government intervention in the banking sector and slowing down reform. Through quantitative analysis and in-depth case studies, Shih shows that elite politics has exerted a profound impact on monetary policies and banking institutions in contemporary China.

Victor C. Shih is a political economist at Northwestern University specializing in China. An immigrant to the United States from Hong Kong, Dr. Shih received his doctorate in government from Harvard University, where he researched banking sector reform in China with the support of the Jacob K. Javits Fellowship and the Fulbright Fellowship. He is the author of numerous articles appearing in academic and business journals, including *The China Quarterly* and *The Far Eastern Economic Review*, and frequent adviser to the private sector on the banking industry in China. His current research concerns the political economy of fiscal transfers in China and Chinese policies toward ethnic minorities. Dr. Shih holds a B.A. from George Washington University, where he studied on a University Presidential Fellowship and graduated *summa cum laude* in East Asian studies with a minor in economics.

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CAMBRIDGE UNIVERSITY PRESS
Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo, Delhi

Cambridge University Press
32 Avenue of the Americas, New York, NY 10013-2473, USA
www.cambridge.org
Information on this title: www.cambridge.org/9780521872577

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First published 2008

Printed in the United States of America

A catalog record for this publication is available from the British Library.

Library of Congress Cataloging in Publication Data

Shih, Victor C.
Factions and finance in China : elite conflict and inflation / Victor C. Shih.
p. cm.
Includes bibliographical references and index.
ISBN 978-0-521-87257-7 (hbk.)
1. Monetary policy – China. 2. Banks and banking – Government policy – China.
3. Finance – Government policy – China. 4. China – Politics and government. I. Title.
HG1285.S567 2008
332.4'951–dc22 2007034890

ISBN 978-0-521-87257-7 hardback

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To My Grandmother, Lau Kim-ping

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Acknowledgments

This book is the culmination of nearly a decade of research and reflection, and it would not have succeeded without the inspiration and encouragement of numerous friends, colleagues, and family members. First of all, I would not have entertained social science as a career without a childhood spent reading the many history books my grandmother Lau Kim-ping procured for me. I am grateful that she continues to take great pride in what I have achieved since I immigrated to the United States at the age of twelve. My interest in Chinese politics began at the George Washington University. Bruce Dickson introduced me to the discipline, and I am grateful that he continues to help me navigate the treacherous terrain in my career. I am likewise grateful for the guidance I received from Harry Harding, Ed McCord, and Marty Whyte. It is of great pleasure that I continue to interact with them on a regular basis.

After my freshman year in college, I spent a listless summer in Hong Kong, where I filled my time reading several of the classics of Chinese politics. Three books I read made particularly deep impressions. *The Origins of the Cultural Revolution* Part I and II, as well as *The Politics of China: The Eras of Mao and Deng* first introduced me to the meticulous and well-honed scholarship of Roderick MacFarquhar, as well as the fascinating world of elite Chinese politics. It was an unimaginable delight later when I learned that I would go to Harvard and study with Professor MacFarquhar. Beyond a great scholar, I have since learned that he is also a great mentor and, by popular consensus, one of the most mesmerizing teachers at Harvard. Without his critical inputs, encouragement, and inspiration, this work could not have been completed.

During the same listless summer, I also read Elizabeth Perry's *Rebels and Revolutionaries in North China*, which left a deep impression as well. It has been a rare privilege to first participate in her engaging seminar on Chinese politics and political science and later receive her valuable feedback on my dissertation. I continue to look to her for guidance and mentorship, especially on my new project, which comes much closer to her previous work. Robert Bates's work greatly influenced my thinking as I explored rent-seeking in the Chinese banking

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sector. It was a great honor to have one of the most respected political scientists of our time serve on my dissertation committee. I benefited enormously from his insightful input. As I contemplated ways to test my framework rigorously, I immediately thought of inviting Jas Sekhon to serve on my committee. His methods lectures were paragons of clear pedagogy, and I have benefited greatly from his methodological and career advice, as well as friendship. Last, but certainly not least, Dwight Perkins brought to bear his decades of experience observing the Chinese economy and helped me avoid a great many pitfalls and blind alleys.

Graduate school is often a lonely enterprise, but it was made tolerable by a good group of friends who provided both intellectual and emotional support. The heart of this support network was the “Dimick Street Gang”: Christian Brunelli, Robert Fannion, Magda Hinojosa, Maria Goff, Elisabeth Ivarsflaten, Andy Karch, Piret Loone, and Endre Tvinnerheim. Poker also provided an important reprieve from the daily grind of graduate studies at Dimick Street, and those who dared to venture to Dimick Street regularly included Mette Eilstrup, Andrea Sangiovanni, and Alan Silverleib. Others also joined from time to time, but Christian’s no-fold pledge was too much for some to stomach. Joe and Jen Wong provided crucial friendship and grilled sustenance. Joe, in his usual genius, came up with the best possible title for this book.

In Beijing, I was honored to befriend a group of extremely bright young scholars, whose input and help were crucial to the success of this project. Our joint interviews with Chinese officials and forays into the Central Party School remain some of the highlights of my stay in China. I still look for advice and counsel from Bill Hurst, Kun-chin Lin, and Matt Rudolph. Maria and I were further kept sane by a generous group of friends, including Adam Bunds, Jen Lin-Liu, Jens Fischmann, Markus Muessig, Colin Wan, Lorenz Luthi, Shirley Hung, and Nick Bartlett. Five a.m. breakfasts at the Den remain some of my fondest memories. Without a doubt, I owe a great debt to the seventy or so officials and bankers I interviewed for the book. In order to protect their identities, they remain anonymous. For the most part, I admired their determination to perform their duty honorably in the face of great pressure and temptations. Lawrence Alberts provided some crucial introductions that gave early momentum to the interviews. Professor Hexing Shi at Peking University generously offered to host me during my year there.

Other teachers and classmates also provided important input and encouragement throughout various stages of my graduate studies. I am especially grateful to members of the performance of democracy workshop and the postcommunist workshop, including Sam Huntington, Robert Putnam, Susan Pharr, Eva Bellin, Yoi Herrera, Gerald Easter, Lily Tsai, Kellee Tsai, Ben Read, Maria Popova, Rory MacFarquhar, Dan Gingerich, Naunihal Singh, and Peter Bruland. Yasheng Huang’s work greatly influenced my own thinking on the political economy of China, and it was a privilege to work with him on a project. Suzanne Nielsen, Dave Campbell, Ethan Handelsmann, James Fowler, Noah Dauber, Chris Adolph, Shang Ying, Brian Garsten, Sonal Pandya, and Julian

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Blake all generously offered their support and friendship. I also learned a great deal from those outside my discipline through working at the *Harvard Asia Quarterly*. It was a great pleasure to work with Ed Cunningham, John Ruwitch, Virginia Harper-Ho, Mike Forsythe, and Nate Bush. Nancy Hearst tolerated my sudden appearances and departures from the Fairbank Center Library and generously lent her vast expertise throughout this project.

As I undertook to transform my dissertation into a monograph, many came to my aid with counsel and – in some cases – critical support. None has contributed more to the final publication of this manuscript than Lew Bateman at Cambridge University Press, who saw potential in the manuscript even at a difficult time. His patience and professionalism motivated me to make this manuscript as good as possible. It is no coincidence that he is universally respected in the field. My reviewers, especially the one reviewer for Cambridge University Press, provided invaluable suggestions for improvements. My colleagues at Northwestern University also generously shared their wisdom and encouragement throughout the publication process. I especially appreciate the guidance from my senior colleagues, including Mike Hanchard, Ed Gibson, Will Reno, Ben Ross Schneider, Hendrik Spruyt, and Kathie Thelen. Although the junior faculty crowd is getting much bigger these days, it wasn't always the case. I appreciate the camaraderie from Andrew Roberts, Jeff Jenkins, Risa Brooks, and Sean Gilmard. The evolution of this manuscript also greatly benefited from insightful comments from colleagues in the China field, including Sebastian Heilmann, Pierre Landry, Mingxing Liu, Andy Mertha, Margaret Pearson, Tom Rawski, Susan Whiting, Dali Yang, and Qi Zhang.

Although a book publication represents the public side of our lives, our private lives are what make public accomplishments possible. I am deeply grateful to my parents, James and Sophia Shih, for courageously starting a new life in America and for devoting themselves to giving us every opportunity to succeed. I hope this book in a small way makes up for the great sacrifices they endured in raising us. My sister Clara, who was only four when we came to the United States, confronted her new environment with innate courage and intelligence. She has blossomed into a Stanford graduate, a Marshall Scholar, a senior executive in a leading company, and – most important – a generous and resourceful person. I am grateful that our bond remains so strong in the face of great changes in our lives. Finally, throughout my studies and the book process, I was greatly inspired by my spouse Maria Goff, who faced her many illnesses with great courage and determination. She has endured some of the most trying experiences anyone can have but still found emotional resources to help me through difficult times. Compared to what she has overcome, this book is a minor accomplishment.

Abbreviations

ABC	Agricultural Bank of China
AFC	Asian Financial Crisis
AMC	Asset Management Company
BOC	Bank of China
CC	Central Committee
CCB	China Construction Bank
CCP	Chinese Communist Party
CDIC	Central Disciplinary and Inspection Commission
CFELG	Central Finance and Economic Leading Group
CFWC	Central Finance Work Commission
CMC	Central Military Commission
COD	Central Organization Department
CYL	Communist Youth League
FEC	Finance and Economic Committee
GDP	Gross Domestic Product
ICBC	Industrial and Commercial Bank of China
MOF	Ministry of Finance
NPC	National People’s Congress
NPL	Nonperforming Loan
PBOC	People’s Bank of China
PLA	People’s Liberation Army
PSC	Politburo Standing Committee
SETC	State Economic and Trade Commission
SEZ	Special Economic Zone
SOE	State-Owned Enterprise
SPC	State Planning Commission
WTO	World Trade Organization