

Since the National People's Congress: Personnel and Programs of Economic Reform Begin to Emerge

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China's leaders declared a reform renewal last year, but nothing of significance occurred before the National People's Congress met. The congress confirmed the appointments of important reformist technocrats Zhou Xiaochuan and Lou Jiwei, and Liu He took over the office of the Economics and Finance Leadership Small Group of the Communist Party. However, power was also carefully balanced with representatives of the state sector. Since the NPC meeting, however, there have been clear signs of a renewal of reform policy-making in both the Communist Party and the government (State Council). The progress of these initiatives should be carefully monitored.

The National People's Congress meeting in March 2013 marked the full initiation of the new Xi Jinping-Li Keqiang administration. After an extended gestation, the full team of economics policy-makers was revealed to a waiting world, and shortly thereafter evidence of significant activity began to emerge.

The Run-up to the National People's Congress

Immediately after the 18th Party Congress in November 2012, the new top leaders, Xi Jinping and Li Keqiang, clearly signaled their intention to revitalize economic reform (see previous *CLM*). The subsequent Central Economic Work Conference (December 15–16, 2012) ratcheted the commitment to economic reforms up a notch, declaring that in 2013, China should “deeply study a top-level design and comprehensive plan for deepening system reform, and come up with a clear overall program, roadmap, and timetable for reform.”¹ After this initial declaration of intentions, though, not much happened. Most obviously, no top-level group was established to begin drafting an economic reform program. Government reorganization was on the agenda for the National People's Congress (NPC) in March, and the group designing the reorganization did consider a proposal to revive the national System Reform Commission. The Reform Commission was a ministry-level body that had incubated reform proposals between 1982 and 1998, but the government reorganization group concluded that only a super-ministerial organization would have sufficient clout in today's environment to coordinate serious systemic reforms. In the end, they had not been given authority to propose such an ambitious re-organization.² Economists weighed in with proposals calling for the creation of a new reform agency or team, under the auspices of either the government or (preferably) the Communist Party.³ It was clear from this discussion that no such organization had yet been created. The failure to move forward sat oddly with the expressions of the urgency of reform, but it also shows that the Chinese system moves at its own pace. Apparently, intensive bargaining over government posts was not completed until the Second Plenum of the Party Central Committee, which met over three days, February 26–28, 2013.⁴ Only after that meeting did it become clear who would be in

specific positions of responsibility, and how strong the relative positions of advocates and opponents of reform were. Reform-drafting organizations could not be established until after the top personnel decisions were made.

Between the 18th Party Congress and the National People's Congress meeting, the national press continued to promote economic reform, and many individual ministries and provinces began work on their own "top-level designs," intended to keep them in step with the leadership agenda. A policy-making milestone came in February, when the National Development and Reform Commission (NDRC) finally published the Income Distribution Program on which it had been working for over two years.⁵ The NDRC is a complex organization with many different components—each with its own viewpoint—but overall it promotes direct government intervention to solve most problems, and therefore ends up strengthening bureaucratic interests. It rarely contributes much to market-oriented economic reform. Given the NDRC's track record, its Income Distribution Program was a pleasant surprise. It advocated improving the functioning and fairness of labor markets, including increasing the scope of collective bargaining. It advocated measures to increase (and protect) household property income. It called for increased spending on welfare, social insurance, and education.⁶ The single provision of the Income Distribution Program that attracted the most attention was one to increase by five percentage points the share of profit that state-owned enterprises pay to the government, *and* to earmark "a definite proportion" of the incremental funding for social security outlays (Item 10).⁷

Through these and other measures—individually modest but collectively significant—the program called for improving income distribution by shifting economic resources from the state toward households. Indeed, this is an essential precondition for any serious attempt to improve China's income distribution. With a broad programmatic document of this type, there is a significant risk that the document will remain a dead letter, a mere statement of benign intent. Nonetheless, this was an important episode in the waiting period before the NPC. The NDRC made a credible effort to analyze the causes of inequality and the types of government policy that could actually begin to make a difference in China's worsening inequality. The proposal shows that the NDRC sees this as a renewed period of economic reform, and wants to demonstrate to the leadership that it can play a positive role: The NDRC wants to ensure that it remains a player. While reformers were thinking about their next moves, bureaucratic actors were maneuvering to align their activities with the coming wave of reform.

The NPC Personnel Decisions: A Vital Role for Reformers

Between the Party's Second Plenum—at the end of February—and the meeting of the National People's Congress, March 5–17, the makeup of Xi and Li's economic administrative team finally became clear. The single most important outcome was that a number of China's strongest and most capable economic reformers ended up in important official positions. In this section, I describe three individuals, explain why they are so important, and emphasize the positive potential. Then, in the following section, I describe their appointments within the context of the overall distribution of power in the new administration, and emphasize the limits on their discretionary power. The three

individuals are: Zhou Xiaochuan, who has been asked to stay on as head of the People's Bank of China; Lou Jiwei, newly appointed minister of finance; and Liu He, who was confirmed as the office head of the Finance and Economics Leadership Small Group of the Communist Party Central Committee. Each of the three has reformist views, extensive technical and administrative experience, and a proven willingness to invest effort and political capital in the reform drive.

Most striking was the decision to retain Zhou Xiaochuan as head of the People's Bank of China, notwithstanding his turning 65 in January 2013, the ordinary retirement age for a minister-level official.⁸ Zhou was kept in place for a number of reasons. With the global economy still weak, and China facing multiple forms of economic uncertainty, the fact that Zhou is highly respected internationally weighed in the decision. Domestically, he is seen as a consummate professional with abundant expertise and, perhaps even more important, as an institutional counterweight to a system that tends to tilt in the direction of reckless financial innovation and excessive credit creation. In short, Zhou is a good central banker, and China's economy, like that of every other country, needs a good central banker. But nobody is indispensable, and China surely has a sufficiently large talent pool that it can find someone else to serve as central bank head (this is discussed further below). In fact, Zhou's importance as central bank head is not the crux of the matter.

Zhou Xiaochuan is more than just a technocrat, and more than just the important head of the Chinese central bank. Over the past 25 years, Zhou Xiaochuan has played a critical role in nearly every important economic reform initiative in China. As far back as 1986–87, Zhou was a core team member of the “program office” [方案办], the effort under Premier Zhao Ziyang to develop a coordinated package of price, ownership, and macroeconomic reforms.⁹ Zhou was the leader of the subgroup on foreign trade reform. While that effort foundered in the fraught political climate that led eventually to Tiananmen, Zhou continued to work on reform strategy. In 1993, Zhou was one of the leaders of the group that devised the coherent program of reform that provided the intellectual foundation for the reforms implemented by Premier Zhu Rongji in the 1990s.¹⁰ Zhou played a large personal role in the reforms that unified the exchange rate and reconstructed the foreign trade system in 1994–95, a set of reforms that were about as close to being one hundred percent successful as it is possible to be. Zhou was also a leading designer of the social security reforms that were enacted in the 1990s, although in this case, implementation fell short of Zhou's initial design. Zhou contributed to the institutional reforms of the stock market in the early 2000s, and to the massive bank restructuring program that began in 2003. To be sure, none of these complex reform programs were the doing of a single person: Zhou is not the “author.” But there is no other individual who has been more deeply involved with the actual crafting of China's economic reform process, no other person who has left his mark on as many of the institutional creations of China's economic reform process, than has Zhou Xiaochuan.

As central bank governor, Zhou had been well placed to serve as Wen Jiabao's economic consigliere after Wen became premier in 2003. Zhou understood not only the macroeconomic situation, but also the institutional framework of China's semi-reformed

economy. It could have been an excellent relationship, but it wasn't. In recent years, it has been an open secret that relations were bad between Wen Jiabao and Zhou Xiaochuan. On a broad range of important macroeconomic issues, Wen Jiabao declined to listen to Zhou Xiaochuan's macroeconomic advice: Back in 2004–5, when China went through the first of its overheating cycles; in discussions of RMB appreciation; and on the enormous expansion of credit in 2009 after the global financial crisis. Now, Wen is no longer premier, but Zhou's contribution has been reaffirmed and he is still serving as central bank head.

Lou Jiwei, the newly appointed finance minister, shares many elements of Zhou Xiaochuan's reformist background. Lou was also a member of the Program Office in the 1980s, leading the team working on price reform. When the political environment soured in Beijing, Lou went down to Shanghai, where he worked for Jiang Zemin and Zhu Rongji as vice-head of the Shanghai Economic Reform Commission. Lou followed Zhu back to Beijing in 1992, and remade himself into a fiscal specialist. He wrote the first fiscal system reform proposals circulated in 1993, and had major input into the reforms actually adopted. Lou personally accompanied Zhu Rongji on his trips around the country as the latter cajoled provincial leaders into accepting the new fiscal system. In 1995, Zhu sent Lou Jiwei to Guizhou, to serve as vice-governor and gain direct governmental experience. In 1998, he was brought back to Beijing and made vice-minister of finance, a move out of step with standard practice in China, which usually sees vice-ministers appointed from within the ministerial system. Lou remained vice-minister for a decade, despite the fact that Zhu Rongji is said to have pushed hard for his appointment to the minister position in 2002. In fact, Lou remained vice-minister of finance until 2007, when he was assigned to manage the creation of what eventually became China's sovereign wealth fund, the China Investment Corporation. Lou subsequently became the CEO of that fund, and served in leadership roles in the fund until 2013. Although his performance at the China Investment Corporation was good, it was always a bit of a mismatch for a policy wonk such as Lou Jiwei. Many observers felt that Wen Jiabao could have used Lou much more effectively by entrusting him with decisions of greater strategic importance, and perhaps by naming him minister of finance. With Wen now gone, Lou will finally get the chance to show off his best stuff. Certainly, there is nobody who better understands the ins and outs of fiscal reform than Lou Jiwei.

Liu He is the third on our list. Although his appointment was not formally part of the National People's Congress, Liu He has all along been recognized as the key economic adviser to Xi Jinping. Liu is in fact widely credited with the origin of the phrase "top-level design," which has become something of a leitmotif in the current reform push. Liu's background is quite different from those of Zhou and Lou, but he is equally crucial to the prospects for reform. Liu came up through the ranks of the NDRC, where he specialized in industrial policy. He also played an important role in drawing up four five-year plans: the Eighth, Ninth, Tenth, and Twelfth, which is currently in implementation (2011–2015). During the 1990s, Liu He spent several years in the United States, graduating from Seton Hall Business School in 1993, and receiving a master's in public administration at Harvard's Kennedy School in 1995. Along the way, Liu He became especially interested in information technology industries, and he subsequently was

named the vice-head of the State Council Informatization Office in 2001–2003, specializing in e-governance. Despite his background as a planner, Liu He is well known as an advocate of market-based solutions and an advocate of a renewal of market-oriented reform. He founded the “50 Economists Forum” in 1998, and under Liu’s leadership it has become the most prominent forum for policy-oriented discussion by China’s top economists. Liu He thus created an important specialists’ lobbying group that has consistently advocated market-oriented reform.

In 2003, Liu He became a vice-head of the office for the Finance and Economics Leadership Small Group (FELSG) of the central Communist Party. The FELSG takes the lead in setting the overall direction of Chinese economic policy, drafting strategic guidelines that are intended to be implemented by government agencies from the State Council on down. The office head and vice-heads are wordsmiths and paper managers. As such, they have substantial influence on the content and precise wording of key documents. Liu He has often headed drafting groups for Party resolutions, and written speeches for three party secretaries. In March 2013, it was announced that Liu He would return to become FELSG office head, also receiving the customary concurrent appointment as a vice-head of the NDRC.¹¹ As FELSG office head, he will head up the group writing the official documents for the Third Plenum of the 18th Party Congress, which will take place in October 2013. These documents will set the basic framework for the economic reforms to take place over the next five years.¹²

In short, three exceptionally capable and committed people are in three of the most technically important and strategically positioned jobs in the Chinese system. These three understand the pressure points of that system. They have repeatedly demonstrated their willingness to take risks to further the cause of market-oriented reform. Most important, they understand the types of institutional innovations that are needed, and have the capability to draw up an effective reform program. The fact that these three have assumed such important positions is a positive indication for China’s reform process. However, there are limitations. While these three key reformers did well in the allocation of responsibility at the NPC, they did not ascend to the top positions of power. Other institutions and interest groups were also successful in advancing their people into top positions.

Economic Leadership After the NPC

The new State Council has many executives who claim expertise on economic issues (See Miller’s contribution to this issue of *CLM*). Many of those on the State Council have come up through the traditional government economic bureaucracies. As such, they are not likely to be proactive reformers. They may be persuaded to pursue reforms if these are seen to be in the national interest, but they are just as likely to be defenders of established interests, especially established bureaucratic interests. Indeed, the state sector of the economy is well represented in the new State Council. This is easily seen by looking briefly at the individuals who constitute the State Council’s economic team.

At the top of the State Council is, of course, the premier, Li Keqiang. Li is certainly by inclination a reformer, as argued in previous editions of *CLM*. Just below Li is Zhang

Gaoli, the highest ranked vice-premier—in essence, the executive vice-premier. Zhang is a Politburo Standing Committee member, and he takes over all of the functions Li Keqiang held in the previous administration under Wen Jiabao.¹³ As such, Zhang supervises the broadly defined “macroeconomic” portfolio. One of the truly odd features of the Chinese political system is that when new state councilors and vice-premiers are announced, there is no indication of what portfolios—or jobs, really—the new leaders will take on. Instead, the public has to wait a few weeks to see which institutions the new leaders visit and which routine meetings they show up to chair. Only then can outsiders draw the dividing lines between leadership portfolios. There were no surprises with respect to Zhang Gaoli: he promptly went out and systematically visited all the key government economic ministries, including the NDRC, Ministry of Finance, and the Ministry of Land and Resources.

The next step takes us to Wang Yang 汪洋, formerly the party secretary of Guangdong, who is widely viewed as a reformer. The gradual revelation of Wang Yang’s portfolio was full of surprises. Wang did not make it into the Politburo Standing Committee—for which he was a plausible candidate—instead ending up as a vice-premier. Wang reported for duty overseeing foreign economic relations (first on a trip to Russia with Xi Jinping), and he is expected to lead the Strategic and Economic Dialogue with the United States this summer. However, Wang is also handling the rural economic affairs and poverty alleviation portfolios. This is a very unusual combination. It seems to indicate a continuing uncertainty about exactly what Wang Yang’s leadership role will be. At a young 58, though, Wang may still have a chance to cycle through some different jobs.

The third vice-premier with a focus on economic issues is Ma Kai. In fact, Ma Kai is a technocrat, rather than a politician like Zhang Gaoli or Wang Yang. Understated and effective, Ma is an economist who has served in a series of increasingly important positions. He was head of the NDRC from 2003 to 2008, state councilor and secretary general of the State Council from 2008 to 2013, and is now vice-premier. His first actions and visits involved governmental reorganization, of which he was in charge.¹⁴ For example, Ma Kai visited key regional offices of China’s railways, which are being separated into enterprises, finally ending the exemption and special position of the railroads. Beyond that, Ma Kai clearly supervises the industrial and transportation sectors. It is striking that Ma Kai appears to have supervisory authority (albeit quite weak) over the financial sector. This is perhaps not surprising, given the continuing importance of Zhou Xiaochuan, and the fact that Zhou and Ma were on opposite sides in the important debate about how to handle economic heating under Wen Jiabao in 2004–5 (a dispute in which Ma Kai and the NDRC prevailed). There is no doubt that Ma Kai will have substantial influence over the setting and implementation of economic policy, and thus over the practical progress of market-oriented economic reform as well.

The top economic leadership is, then, by no means unambiguously reformist. Indeed, it reflects more than anything else an effort to balance different views and give individual leaders a “proper” position, that is, one commensurate with their seniority and perceived contributions. In one sense, this emphasis on balance and fairness may have favored Zhou Xiaochuan and Lou Jiwei, who are now seen by many to have been treated rather

shabbily by Wen Jiabao, and who may now feel somewhat vindicated. But it also means that the system represents bureaucrats from a variety of state-run organizations who have served faithfully and worked their way up through the system. With this type of orderly promotion, it is virtually inconceivable that the leadership would suddenly tilt toward reformists, and it hasn't. Indeed, representatives of the state sector did at least as well in the new leadership as reformists did, perhaps even better. Emblematic of this pattern is the position of Wang Yong 王勇, whose appointment to the position of state councilor rounded out the top economics team. Wang has been head of the State Asset Supervision and Administration Commission (SASAC) since 2010, so his job has been to preside over the state enterprise sector and implement policy on state ownership restructuring. So far, there is no indication that Wang Yong will do much of anything different from what he did in his previous post. However, while his job description might not change much, Wang Yong has ascended to a position in the "cabinet," illustrating the continued strength of state enterprise interests. Between them, Zhang Gaoli, Ma Kai, and Wang Yong should be able to do a fine job of looking after the interests of the state bureaucracy, providing a counterbalance to the reformist inclinations of Li Keqiang and Wang Yang (who rank above them), and the reformist technocrats Zhou Xiaochuan and Lou Jiwei (who work in the key ministries just under them).

Zhou Xiaochuan's Continuation at the PBC

As ongoing head of the People's Bank of China, Zhou Xiaochuan retains an influential reform voice close to the center of power. However, it is not clear how long Zhou will continue to serve as PBC head. Most observers think he is likely to stay two or three years, at most. Even more important is to consider the alternatives: true, Zhou staying as PBC head is better than Zhou retiring from all jobs; but the other alternative would have been for Zhou to have been made a vice-premier, which would also have lifted him into the category of national leaders and exempted him from the 65-year-old age limit. Zhou is completely qualified for that job, but it went to Ma Kai instead.

Zhou's failure to advance to vice-premier was known last fall, when he was not nominated to be a member of the Central Committee at the 18th Party Congress. We do not know the behind-the-scenes story of the failure to nominate Zhou. Some suspect that Wen Jiabao's opposition torpedoed Zhou.¹⁵ In any case, Zhou does arouse opposition among some officials. He is extremely smart, and does not suffer fools gladly. He is sometimes perceived as favoring those who have advanced degrees from foreign universities (even though Zhou's own Ph.D. is domestic, from Tsinghua). Zhou has played a role in a number of specific economic policy decisions that caused significant losses to individuals who might hold grudges as a result. Most striking was the episode in 2001 when Zhou, as head of the China Securities Regulatory Commission (CSRC), introduced dramatic new regulatory policies designed to clean up the stock market. Zhou was also in charge of implementing the policy requiring newly listed state firms to contribute part of their IPO proceeds to the national social security fund, a policy perceived as inimical to the interests of large shareholders, whose subsequent rapid exit caused the market to plunge by 40 percent, forcing Zhu Rongji and Zhou to beat a retreat.¹⁶ These perceptions mean that Zhou would be a controversial candidate for a leading position, even if the top leadership decided to promote him.

In the event, an ingenious “workaround” was found that has allowed Zhou to stay without violating an increasingly binding rule on age limits. Chinese government regulations now require ministers to retire at age 65, and lower-level officials to retire at 60. This rule (it is a regulation for government officials and an emerging norm for Party officials) is applied with a degree of flexibility: a government official does not step down on his birthday, and an especially important official may stay on for several additional months, but never more than a year. However, if an official is promoted *above* the ministerial level, into the category of “national leaders,” that official may continue to serve until age 70. Being promoted to vice-premier would have lifted Zhou into that category, but for this to occur, Zhou would have had to be selected as a Central Committee member at the 18th Party Congress. The solution found was to elevate Zhou to the Presidium of the Standing Committee of the Chinese People’s Political Consultative Congress (CPPCC), giving him “national leader” status. This maneuver was far from straightforward. The CPPCC is an organ wholly without political power. The “National Leaders” in the CPPCC are generally old men who hold the post purely as an honorific, receiving superior treatment (*daiyu*, such as a car and driver, and superior pension benefits) as an honor, but with no actual power. To place a vital, fully engaged official, at the height of his powers and in full occupation of a key economic position, into this group was, to say the least, unusual.

The peculiar “Zhou Xiaochuan solution” also reflected on the three men who were candidates for the succession to Zhou. Three men with strong backgrounds in the financial system were selected into the 18th Central Committee. Those three—Shang Fulin, Guo Shuqing, and Xiao Gang—all had ample experience and talent, and were plausible candidates. After November, there were no clear indications of a front-runner, and it appeared to be a tournament among them. Asking Zhou to stay on, then, was equivalent to selecting “none of the above” from these three. Of the three, Shang Fulin, who would have been the least dynamic choice, is already head of the China Bank Regulatory Commission. Most attention has focused on Guo Shuqing—the bolder and more dynamic reformer—and Xiao Gang—a solid candidate who has been head of the Bank of China. When Zhou was asked to stay on, Guo Shuqing, who had been serving as head of the China Securities Regulatory Commission (CSRC), was appointed governor of Shandong at the NPC. Xiao Gang was then moved to head the CSRC. These are remarkable, and rather peculiar, personnel choices.

One interpretation of the moves was that Guo Shuqing had ruffled too many feathers during his 18-month tenure as CSRC head, and was being moved out of the way. In support of that view is the fact that Guo had vigorously promoted stronger auditing of state firms and more rigorous implementation of rules for de-listing firms that failed to achieve profitability. Indirect evidence in support of this interpretation came when the large government-controlled listed firm Cosco Shipping engaged in some fancy footwork to prevent de-listing within days of Guo’s departure.¹⁷ There may be some truth to this interpretation, but it is not the whole story. In the first place, Shandong governor is an extremely important and powerful position, and it is not a demotion. Thus, it is not necessarily a negative development for Guo Shuqing: After serving as Shandong

governor for a few years, he will be positioned to take a higher post in the national government.¹⁸ But it is fair to say that Guo Shuqing was under enormous pressure. If his many reforms at the CSRC had in fact improved investor confidence in the short run, and led to a revival of the Chinese stock market after years of underperformance, he would have been in a much stronger position. But without a major turnaround to trumpet, his activist personality certainly caused him to run into additional obstacles. Guo is extremely capable and strongly committed, and had things gone better, he would have been the natural successor to Zhou Xiaochuan. But the fact that he was sent to Shandong—rather than simply being named central bank head last month—shows that at a minimum he was viewed as “not quite ready” to take over the central bank post. Without an obvious achievement to fortify his candidacy, Guo was doubtless seen as the riskier choice, and it was better to wait, stay with the tried and true Zhou Xiaochuan. In two to three years, either Xiao Gang will step into Zhou’s position, or Guo can be summoned back to Beijing from Shandong.

Since the National People’s Congress

Since the NPC meeting in March, the wheels have begun to turn for the formulation of a reform program in 2013. Although details are not public, we know that Liu He, at the FELSG, has assembled a team to begin working on the report to the Third Plenum, expected in October 2013. This is the “top level” of the economic reform design process. This team will have the heavy responsibility of crafting a set of principles that can drive forward a significant renewal of the market reform process.

At the same time, the State Council has begun to flesh out its program for the year, including substantial market reform measures. On March 27, 2013, the State Council held its first plenary session, to sketch out the overall work plan for 2013.¹⁹ The main programs were identified, and tasks and responsibilities were assigned to specific ministries and government agencies. Of the 48 items in the work plan, items 28 through 37 involved substantial reforms, with an emphasis on the financial sector.²⁰ Much more important was the specific approach to economic reforms laid out during a State Council meeting of May 6, 2013.²¹ The brief outline published afterward listed nine areas of concentration during 2013, with the first three being by far the more important. These were (1) Reduce the number of administrative approvals required for investment, production operations, and technical qualifications; (2) Make the fiscal system more transparent and regular, reducing and consolidating the number of earmarked intergovernmental transfers, and implementing natural resource taxes; (3) gradually advance reforms for the marketization of interest rates and draw up a plan for the convertibility of the renminbi. These are important and ambitious objectives. Although they have thus far only been outlined, they indicate that the State Council will attempt to push through some important changes.

Over the next six months, movement toward economic reform in China will occur on two levels. The Finance and Economics Leadership Small Group will draw up principles for ratification at the Third Plenum. This process will be overseen by Liu He, but of course final decisions will be made by the top leaders working through the Leadership Small Group. At the same time, the State Council under Li Keqiang will attempt to move

forward with some more practical measures. It is not surprising that Li Keqiang foresees movement in the fiscal and financial spheres, and not in the state-run sector. This is where his most talented administrators are at work, and have the most leeway. These areas should be watched closely through 2013: they have the potential to surprise us.

Notes

¹ Luo Lan 罗兰, “Understanding the Central Economic Work Conference: Top-level design should be developed based on our long-term objectives” (解读中央经济工作会议: 顶层设计从更长远目标着眼), *People’s Daily Overseas Edition*, December 18, 2012, accessed at <http://finance.people.com.cn/n/2012/1218/c71364-19927493.html>.

² Du Qiang and Liao Honghui 杜强 廖洪辉, “Spokesman for the Central Staffing Department: Just because we’re not setting up a System Reform Commission now, doesn’t mean we won’t do it in the future” 中编办发言人: 体改委暂时不搞不等于今后不搞, Southern News Net 南方新闻网, April 3, 2013, accessed at http://news.ifeng.com/mainland/detail_2013_04/03/23815791_0.shtml.

³ Niu Wenxin 钮文新, “Do we need to revive the System Reform Commission?” (需要恢复“体改委”?), blog post, February 19, 2013, accessed at <http://dajia.qq.com/blog/254612067159040>; Wu Jinglian 吴敬琏, “I don’t oppose reviving the System Reform Commission, but there must be a higher level organization as well 不反对恢复体改委但上層一定要有班子,” Beijing Xinlang Net 北京新浪網, April 8, 2013, accessed at <http://news.sina.com.tw/article/20130408/9322534.html>.

⁴ “SASAC Head Wang Yong to become a State Councilor” (國資委王勇升國務委員), *Singtao Daily* [Singapore], March 1, 2013, accessed at <http://www.singtao.com/yesterday/chi/0301eo01.html>.

⁵ The effort to write an income distribution program has been under way since October 2010, when a joint writing group was established under NDRC’s direction, but with participation of members from the Ministry of Finance and the Ministry of Human Resources and Social Security. In fact, the effort had been going on in fits and starts for several years before that. See State Council, “Transmitting Various Views of the NDRC and other Departments on Deepening the Systemic Reform of the Income Distribution System” (国务院批转发展改革委等部门关于深化收入分配制度改革若干意见的通知), *Guofa* [2013] #6, February 3, 2013, accessed at <http://www.shaanxi.gov.cn/0/1/9/39/138946.htm>.

⁶ However, the concrete targets suggested by the NDRC were modest. For example, they called for increasing government social insurance and employment outlays by only two percentage points of total budgetary outlays by 2015.

⁷ Some critics pointed out that the increase of five percentage points would leave the maximum rate for profit remittance to the government at 20 percent, still relatively low compared to the 33 percent average remittance of state firms in other developing countries. Moreover, the proposal was imprecise about exactly how the State Asset Supervision and Administration Commission (SASAC), which collects the funds, would be induced to contribute them to social purposes. Currently, SASAC controls the funds and much prefers to spend them on industry restructuring. Gabriel Wildau and Lucy Hornby, “China plan on wealth gap preserves much of state firms’ cash pile,” Reuters, February 7, 2013, accessed at <http://www.reuters.com/article/2013/02/07/china-economy-inequality-idUSL4N0B652T20130207>.

⁸ In a major scoop, this decision was first reported by the *Wall Street Journal*. Lingling Wei and Bob Davis, “China Poised to Extend Central-Bank Chief,” *Wall Street Journal*, February 22, 2013, accessed at <http://online.wsj.com/article/SB10001424127887323864304578319602576661718.html>.

⁹ The intellectual leader of this effort was Wu Jinglian. See Barry Naughton, ed., *Wu Jinglian: Voice of Reform in China* (Cambridge: Massachusetts Institute of Technology Press, forthcoming, 2013).

¹⁰ See the collected proposals in the volume Wu Jinglian, Zhou Xiaochuan, and Rong Jingben 吴敬琏, 周小川, 荣敬本, *Create a comprehensive market economy concept and program design* (建设市场经济的总体构想与方案设计; Beijing: Zhongyang Bianyi, 1996).

¹¹ “Liu He will head the Finance and Economics Leadership Small Group Office and be NDRC Vice head 刘鹤任中央财办主任、发改委副主任,” March 26, 2013, China Communist Party News Net, accessed at <http://renshi.people.com.cn/n/2013/0326/c139617-20920489.html>; Ge Yang Huo Kan 戈扬 霍侃 “Liu He

Searching for a Chinese Road to Reform” (刘鹤 探寻中国改革之路), *Caixin* 财新网, March 29, 2013, accessed at <http://video.caixin.com/2013-03-29/100508028.html>. See also Qiao Xuefeng and Jiang Qiliu 乔雪峰, 蒋琪 “Liu He: China’s Economic Success does not come from the State Monopoly Capitalism Model” “刘鹤: 中国经济成功不是国家垄断资本主义模式,” *People’s Net* (人民网), March 17, 2012, accessed at http://news.ifeng.com/mainland/detail_2012_03/17/13261007_0.shtml.

¹² The most positive model for how this process can work is the way that the documents drafted during 1993 by economists including Zhou Xiaochuan, Lou Jiwei, and Wu Jinglian (see footnote 10 above) were incorporated into the report of the Third Plenum of the 14th Party Congress and served as the programmatic foundation for Zhu Rongji’s era of reform policy-making. On the other hand, the Report of the Third Plenum of the 16th Party Congress in 2003 also contained many positive reform ideas, very few of which were ever implemented.

¹³ “The division of labor among new members of the State Council is established; Ma Kai is in charge of industry” (新一届国务院领导分工确定 马凯主管工业), *Dagongbao* [Hong Kong], April 16, 2013, accessed at <http://news.takungpao.com/mainland/zgzq/2013-04/1549650.html>.

¹⁴ Ma Kai 马凯, “Explanation of the program to reform the structure and shift the function of the State Council” (关于国务院机构改革和职能转变方案的说明), March 10, 2013, speech at the National People’s Congress, reported in *People’s Daily*, March 11, 2013, accessed at <http://cpc.people.com.cn/n/2013/0311/c64094-20741513.html>.

¹⁵ A number of bureaucrats with close ties to Wen Jiabao did well in the transition, so Wen’s influence certainly cannot be discounted.

¹⁶ On this episode, see Barry Naughton. “Selling Down the State Share: Contested Policy, New Rules,” *China Leadership Monitor*, no.1 Part 2, March 2002.

¹⁷ Shen Hong and Amy Li, “Delisting in China ‘Exists in Name Only’,” *Deal Journal Wall Street Journal*, March 20, 2013, accessed at <http://blogs.wsj.com/deals/2013/03/20/delisting-in-china-exists-in-name-only/>.

¹⁸ Jiang Fei 蒋飞, “Guo Shuqing as Seen by a Reporter” (一个记者眼中的郭树清), *New York Times Chinese Web* 纽约时报中文网, March 22, 2013. Special report by Jiang Fei of the *Number One Finance Daily* (第一财经日报), accessed at <http://cn.nytimes.com/article/business/2013/03/22/cc22jiangfei/>.

¹⁹ “The State Council Plenary Session: We should draw up a program for fiscal and tax reform, and new measures should be taken in financial reforms” (国务院常务会议: 财税改革要拿出方案, 金融改革要推出新举措), March 27, 2013, accessed at <http://finance.sina.com.cn/money/forex/20130327/215014974304.shtml>.

²⁰ “State Council, ‘Views on the Division of Labor among Major Departments in Implementing the “Government Work Report” and the Spirit of the State Council’s First Plenary Session” (国务院关于落实《政府工作报告》和国务院第一次全体会议精神重点工作部门分工的意见), *Guofa* [2013] #17, March 28, 2013, accessed at http://www.gov.cn/zwgk/2013-04/03/content_2369817.htm.

²¹ “Li Keqiang convenes a meeting of the State Council Studying and Laying out the Main Points of Economic System Reform in 2013” (李克强主持召开国务院常务会议, 研究部署2013年深化经济体制改革重点工作), *People’s Daily*, May 7, 2013, accessed at <http://politics.people.com.cn/n/2013/0507/c1024-21384186.html>. For a good explanation of some of the more arcane concrete points, see Kuang Yuqing, Zhang Huimin, and Wang Yejun 况玉清 张慧敏 王晔君, “Explaining the 2013 economic system reform route” (2013经济体制改革路径解读), *Beijing Commercial Daily* (北京商报), May 7, 2013, accessed at <http://finance.ifeng.com/roll/20130507/7998878.shtml>. For a general assessment, see Zhu Changzheng 朱长征, “The Initial Priorities of Reform” (改革优先序), *Caixin* 财新网, May 7, 2013, accessed at <http://opinion.caixin.com/2013-05-07/100524699.html>.