Changing the Rules of the Game: Macroeconomic Recontrol and the Struggle for Wealth and Power

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The intensification of China's macroeconomic recontrol policy (*hongguan tiaokong*) in April 2004 touched off a scramble for money and resources, as businesses and local governments faced an abrupt and unanticipated change in the overall economic climate. The scramble for resources has contributed to strains among regions and within the top leadership. It has also touched off conflicts among different kinds of businesses—including state and private—as they maneuver to avoid the worst effects of macroeconomic recontrol. The ultimate impact of macroeconomic recontrol is still highly uncertain, and new consequences continue to ripple outward from this policy choice. The Fourth Plenum of the 16th Central Committee, scheduled for an early meeting in September 2004, will bring some of these issues to a head, as the economic and political implications of macroeconomic recontrol become apparent and are worked through.

The Impact of Macroeconomic Recontrol on the Top Leadership

It is still too early to judge the effect of macroeconomic recontrol on China's leadership, because the policy has many different, and sometimes contradictory, effects on different leadership groups. By suddenly changing the rules of the game and creating situations in which individual interest groups may experience serious losses, the policy inevitably increases tensions and the potential for conflict. Increased tensions exacerbate friction along established fault lines in Chinese politics. For example, macroeconomic recontrol increases friction among China's region-based political interests, as Cheng Li shows in his article in this issue of *CLM* ("Cooling Shanghai Fever: Macroeconomic Control and Its Geopolitical Implications"). As Li points out, macroeconomic recontrol has a particularly severe impact on the three provinces of the Yangtze River Delta (YRD): Shanghai, Jiangsu, and Zhejiang. Because they have been growing most rapidly and experiencing the most overall economic success, these provinces feel the negative impact of central government recontrol and the concomitant slowdown in growth most severely. The policy of macroeconomic recontrol can be said to have originated in this region—when the abuses at the Tieben Iron and Steel Plant were targeted by a central government investigation team—and the YRD has been a focus of ensuring compliance with the policy, as there has been a series of high-profile visits by central officials. Moreover, the policy has arguably been most controversial and generated the most local resistance in the YRD. (See Naughton, "Hunkering Down: The Wen Jiabao Administration and

Macroeconomic Recontrol," *CLM* 11 [summer 2004], for an account of the earlier stages of the macroeconomic recontrol policy.)

With regard to the central leadership, there is no doubt that Wen Jiabao is the principal author of the macroeconomic recontrol policy. As a result, the success or failure of the policy will have a huge impact on Wen's political future. It is even conceivable that Wen's rivals might see the increased tensions associated with macroeconomic recontrol as their last best chance to shake Wen's hold on power, before it becomes further consolidated and Wen settles in for two full terms as premier. One recent analysis has argued that the recent rapid turnover of banking officers—including scandal-linked demotions and the appointment of new leaders at the Bank of China and the Construction Bank of China—has engendered contention over control of personnel in the financial system between Wen Jiabao's State Council system and Zeng Qinghong's Chinese Communist Party (CCP) Organization Department system.[1] For these and many other reasons, the subsequent development—and perceived success or failure—of macroeconomic recontrol will have an important impact on factional politics in China.

However, the conflicts and competition along multiple fault lines are sometimes seen by observers outside China as painting a simple picture in which Jiang Zemin's Shanghai faction opposes macroeconomic recontrol, whereas Hu Jintao and Wen Jiabao and their faction support it. This view is simplistic and cannot adequately describe the impact of economic changes on leadership dynamics. In essence, this body of analysis seizes on a few fragmentary reports[2]—rumors, in fact—and extrapolates from them to intensified factional conflict at the center.[3] These interpretations are too simplistic because they do not account for the prominence of political clients of Jiang Zemin in Wen Jiabao's State Council,[4] nor do they consider the extent to which these Jiang-linked technocrats participated in the formulation of the macroeconomic recontrol policy in the first place. In one of the anecdotes circulating, Wen Jiabao's ally Hu Jintao is said to have defended Wen against attacks by Shanghai Party Secretary Chen Liangyu by declaring that macroeconomic recontrol was "a collective decision." This emphasis on the collective is not merely a partisan comment; it accurately describes the formulation of the policy of macroeconomic recontrol, the participation in its implementation, and ultimately, the impact of the potential fallout.

Zeng Peiyan, for example, is the vice premier in charge of the State Development and Reform Commission (SDRC)—which he formerly headed—as well as other agencies with direct management responsibility for the economy, such as the State Asset Supervision and Administration Commission (SASAC). Zeng has been closely involved with the macroeconomic recontrol policy since the beginning, and especially since its intensification in April 2004.[5] Moreover, his agencies have been by far the biggest beneficiaries of the policy. The SDRC's formation, during the governmental reorganization of 2003, marked a significant downgrading of the traditional planning organs, as they were consolidated into a large agency with a broader (though still authoritative) mandate. These planning agencies suddenly find themselves back in the spotlight. Teams from the SDRC have fanned out across the country, telling local governments and businesses which investment projects they may continue and which must be halted immediately. SDRC industrial policies, some of which were on the verge of irrelevance a year or two ago, suddenly spell life and death for scores of businesses. Zeng Peiyan, like other central leaders, has traveled to the provinces to emphasize the importance of following central directives in the macroeconomic recontrol policy (Zeng recently went to Hebei and Shandong).[6] If Shanghai is a loser because of the policy of macroeconomic recontrol, the SDRC is a winner.

Yet Zeng Peiyan is very closely associated with Jiang Zemin.[7] During the previous Jiang-Zhu administration, Zeng, then the head of the precursor body to the SDRC, would routinely accompany Jiang Zemin, but not Zhu Rongji, on economics-related inspection tours around the country. Zeng is also closely associated with the western development program (WDP), since he personally headed the office that drew up the WDP and oversaw its implementation.[8] Since western development is often seen as a key element of the Hu-Wen policies, Zeng's role is especially hard to reconcile with an analytic framework that sees the two main contending factions as having programmatic differences in economics. Assessments of the leadership implications of macroeconomic recontrol must consider the fact that the policy strengthens some organs of the central government and weakens others.

Conversely, the mere fact that an individual is represented in the State Council does not necessarily imply that he fully supports the macroeconomic recontrol policy. In contrast to Zeng Peiyan's active role in the policy, a decidedly low-key public role has been played by Huang Ju lately. Huang is a vice premier and Politburo Standing Committee member, with authority over financial affairs and other economic issues. But Huang is also a former party secretary of Shanghai who, instead of going home to defend the macroeconomic recontrol policy, has mostly been touring remote western provinces, including Shaanxi, Inner Mongolia, and Xinjiang, where it is not difficult for him to give lip service to the policy.

Reformulating Macro Policy

During July and August 2004, macroeconomic recontrol was the object of a classic Chinese policy reformulation: on the one hand, this is the correct policy, and we should stick to it; but on the other hand, the policy should be adjusted to fit new circumstances. The official line that emerged during July and August was that macroeconomic recontrol had achieved some initial results but hadn't been consolidated. It needed to be continued and strengthened. But at the same time, the policy needed to be increasingly differentiated, and it shouldn't be applied in the same way everywhere. Naturally, such a reformulation carried enormous ambiguity, and people can legitimately disagree about whether this shift portends a substantial relaxation of macroeconomic recontrol. Careful selection of phrases and emphasis used by various leaders can make almost anyone appear to be for or against the policy, so that is not a very useful exercise. However, the process of reformulation itself can shed significant light on the challenges facing the leadership.

Between April and June 2004, the central government stomped hard on the brakes. Restrictive policies brought the growth of investment down to zero in a short time period (see below for a discussion of the data). The growth rate of bank credit had been slowing steadily since its peak in August 2003; new bank credit was virtually suspended during the first part of June. Many additional policies were carried out simultaneously. However, the single most important action was that agents of the central government bureaucracy fanned out throughout the country and essentially suspended every one of the tens of thousands of ongoing investment projects in China. They did this by simultaneously inspecting land-use approval procedures and investment registration requirements. This was an extremely effective way to reduce the growth rate of investment, which had been the main force driving the overheated economy.[9] However, it also presented policymakers with a serious dilemma: at what pace, and through what procedures, should projects be reauthorized? Obviously, some egregious projects were to be permanently canceled, but the vast majority of investment projects could hardly be permanently halted.

Xia Bin, head of the Finance Institute of the Development Research Center (DRC) of the State Council, presented some interesting numbers to illustrate the dilemma facing policymakers. Xia cited SDRC figures showing that of all the current and prospective investment projects checked, 4–5 percent were illegal or had not followed regulations. Of this smaller number, 5 percent had been permanently stopped, and another 10 percent that were still in the planning stage had been canceled, but the other 80-plus percent were only suspended. Following these numbers, Xia calculated that 99.3 percent of all investment projects were ready to start up again as soon as macroeconomic recontrol was slightly relaxed.[10] Making the situation even more precarious is the performance of bank lending. Although overall bank credit growth slowed significantly—and dramatically in June—medium- and long-term lending, which funds fixed investment projects, continued to grow, increasing as a share of total lending. This fact means that enterprises are flush with funds for investment: they are awash with liquidity, simply waiting for an opportunity to spend their bank balances. Not surprisingly, central leaders argue that macroeconomic recontrol has not been consolidated, and that loosening it now could forfeit all the initial achievements. Indeed, investment might even bounce back to a point higher than it would have reached had the policy never been instituted.

This situation is clearly frustrating to central leaders. They would like to see greater compliance with their policies, and they are frustrated by foot-dragging and resistance. Trends in fixed-investment lending are clearly at variance with what policymakers had demanded. Because of this foot-dragging and resistance, Wen Jiabao and other central leaders reemphasize macroeconomic recontrol, but they know they cannot keep an indefinite hold on all investment. They must differentiate among investment projects and try to shape the process by which investment projects are allowed to resume. By July 2 at least, Wen Jiabao, at a State Council meeting, had begun to call for "adjusting the economic structure and differentiating policies among different sectors." This initiative clearly signaled the end of a first phase of macroeconomic recontrol and marked the transition to a new, more moderate phase.[11] In the most positive interpretation, the new phase is simply an organic outgrowth of the earlier phase:

having stepped on the brakes to slow a speeding car, the driver next eases off the brakes and begins to steer around the obstacles. Less charitably: having run into resistance, the bulldozer operator throws the machine into reverse, swings around, and tries to plow through a different set of obstacles.

Either way, this next phase has been marked by a struggle to define and shape policy. The political debate is less about whether or not macroeconomic recontrol is good, and more about how the reformulation will be shaped. During August 2004, a reasonably coherent set of priorities and policies emerged from this intensely political process. These policies represent a recognition of, and an attempt to fix, some of the biggest problems created by macroeconomic recontrol, but they also reveal the necessity of hammering out a political compromise. By August 18, when Wen Jiabao convened a State Council meeting to deliver instructions on macroeconomic recontrol to the financial system, the outline of policies had taken a fairly definite form, clearly reflecting some kind of brokered compromise among different interest groups.[12]

There is no single programmatic document that is being publicly promoted (though one may exist), and descriptions of policies differ in different economic management systems. Nonetheless, we might describe the compromise outcome as consisting of the following principles:

- Maintain the overall outlines of macroeconomic recontrol, and try to ensure that resources don't flow into targeted sectors as controls on other sectors are relaxed;
- Follow state industrial policies and step up structural readjustment;
- Direct funds toward underresourced social groups ("weak links"), especially farmers;
- Ease credit to consumers and help domestic household demand grow; and
- Address systemic problems and advance reforms.

We have seen these principles expressed in slightly different ways, for example in an August 23 meeting of top banking officials and a few days later in an authoritative speech by SDRC Director Ma Kai, which had him emphasizing the need to persist with macroeconomic recontrol while paying "even more attention" to the five policies.[13] Note that this reorientation gives more flexibility, and more discretion, to precisely those former planning agencies that fall under Zeng Peiyan's supervision. Adding nuance and differentiation to macroeconomic recontrol clearly gives greater discretion to the SDRC, which will be tasked with deciding what kinds of structural adjustment are desirable and which links in society really are weak. These policies strengthen the central government and particular organs within the central government. They also provide bargaining chips that can be used to rebuild coalitions and paper over rifts. For example, high-technology industry is clearly favored by structural adjustment and industrial policies. Since the emerging center of China's high-technology industry is the YRD, this policy reformulation guarantees that the leading sector of YRD development will be fostered.

At the same time, the reformulated policies also provide an opening for pro-reform forces to stake out their priorities. A good example of this opportunity is the new State Council Decision on the Reform of the Investment System.[14] Reform of the investment system was part of the programmatic reform agenda described in *CLM* 10 ("Financial Reconstruction: Methodical Policymaking Moves into the Spotlight"). Drafted at the end of 2003, it was shelved when macroeconomic recontrol was intensified, and the entire systematic reform program was, at least temporarily, in tatters. On July 25, 2004, the decision was suddenly released. The major thrust of the document is to establish, for the first time, that unless government approval is explicitly required for a specific type of investment, investors need only report their projects to provincial authorities; no further approval is required. It reflects an impressive commitment to expanding the sphere of market operation and to shifting to a presumption of permission for legal economic activity. The decision also goes quite strongly against the grain of the actual impact of government policy in the investment arena over the last few months. This discrepancy is to some extent bridged by an appendix to the decision that lists 58 sectors and situations in which government approval of investment is required and specifies which government body is responsible for the approval (the SDRC is often the designated approval body). This list limits the new "freedom" given investors rather severely, but it is also made clear in the decision that the list is valid for the current year only, with the obvious intention being to reduce the list, and thereby expand the number of sectors in which a presumption of permission exists, as macroeconomic conditions improve.

Private Enterprises in the Recontrol Process

A major impact of the macroeconomic recontrol policy is that it disproportionately hurts private enterprises. To a certain extent, this impact is felt across the board: the government takes some responsibility for public enterprises, so it tends to buffer them from the effects of macroeconomic policy, which is, after all, the result of government action. Private firms cannot generally count on this kind of consideration from government. Tightening the administrative approval process for investment projects inevitably restricts the growth of healthy private enterprise. From shortly after the intensification of macroeconomic recontrol, voices have been raised protesting the policy's disproportionate impact on private enterprises and urging reformulation to reduce the damage.[15]

There is a more direct link between macroeconomic recontrol and the fate of private enterprise. Over the past two years, private firms have gradually been entering sectors formerly dominated by state firms with significant market power. The Third Plenum of the 16th Central Committee in fall 2003 specified that private capital could enter any sector where there was not an explicit legal prohibition on entry. Some of the most important sectors in which private firms began posing significant challenges to state incumbents were automobiles, aluminum, steel, and cement, all of which are targets of the macroeconomic recontrol policy. In addition, private firms have of course been increasingly active in real estate. As Hu Shuli put it:

> Areas where the [investment] controls have been imposed include those long monopolized by state enterprises, such as infrastructure, energy, and

> the production and processing of raw materials. Conflicts between new private companies and state-owned competitors, who wield great influence over policymakers and regulators, were already intense in these sectors.[16]

For example, two big new private steel mills—5-million-ton capacity each—were under construction in Shaoxing, Zhejiang, and Tangshan, Hebei.[17] The aluminum industry is fiercely contested, because the elements of monopoly power (entry barriers based on economies of scale plus control of localized raw material supplies) could conceivably be seized from state firms by aggressive private firms. In Baotou, Inner Mongolia, a large aluminum smelter begun by the private Dongfang Xiwang (Eastern Hope) Group was sharply curtailed in the first phase of macroeconomic recontrol, and later phases of the project were put on hold. An independent appraisal had determined that this was a good project, reaping scale economies and protecting the environment, but a bureaucrat from the SDRC metallurgy section justified suspension by arguing that "if many individually rational projects are added together, and they don't correspond with long-term projected market demand, don't they become irrational?" Whatever the logic of this statement, the reality was that the projects of state firms were subjected to much less intense scrutiny.[18]

Indeed, state firms quickly figured out how to use macroeconomic recontrol to take over upstart private rivals. Essentially, private firms new to these sectors suddenly found their credit cut off; looking around desperately for saviors, they were pushed into the arms of state firms, who seized the opportunity to swallow up their erstwhile rivals. The adage "the state advances, and private firms retreat" was coined to describe the situation, as an ironic reversal of the existing policy slogan "the state retreats, and private firms advance." As awareness of the situation spread, the SASAC did ultimately swing into action. By August 12, 2004, the SASAC was ready to call a meeting of the managers of all the large state-owned enterprises (SOEs) under its control and lay out a new set of regulations on SOE takeovers of private firms. The new rules included the need to get prior approval from the SASAC for takeovers in targeted sectors (e.g., aluminum), along with requirements that takeovers be consistent with core competencies, that they be done at fair prices, and that SOEs not get in bidding wars over takeover targets.[19] The new SASAC policy is consistent with attempts to ameliorate some of the worst impacts of macroeconomic readjustment, as well as with the goals of the reform of the investment mechanism described above.

The Real Estate Market

In perhaps no area have the rules of the game changed more dramatically than in real estate. Huge changes in the availability of land, the cost of land, and the availability of credit have utterly reshaped the conditions of business. Yet through all this, the real estate sector has not collapsed, or even shrunk much. Housing prices are down in some cities and up in others. Prices of building materials slumped during May and June 2004, but turned up again in July. Still, business conditions have changed greatly. According to Wang Zhigang, a well-known real estate analyst in Hangzhou, the real estate sector is headed for a massive consolidation, with the current population of over 10,000 developers set to shrink to around 2,000. Wang goes on to compare the current macroeconomic recontrol with the one a decade ago:

> In 1993, the government tightened monetary policy across the board, and the real estate bubble burst. There was widespread misery in the real estate sector, not like today. But a similarity with today is that back then many of the most prominent developers were suddenly cut off at the knees, and a big batch of state-owned enterprises disappeared from the scene. Instead, those who had been humble players back then, working for the prominent developers—the leaders of work gangs, teams of temporary workers, and building material companies—became the dominant players in today's real estate industry. . . . Now in Hangzhou the developers feel a little lost, not knowing what to do with the land they've already acquired, and knowing that those who judge the situation correctly will become the big winners in a new future cycle of real estate development.[20]

These developers, and their municipal government allies, are preoccupied with adapting to market conditions.

Overall, the real estate sector is confounding the expectations of many economists and policymakers. The rapid growth of real estate was one of the key factors stimulating the growth of the heavy industrial sectors such as steel and cement. It was assumed that when measures were taken to cool off the real estate markets, demand in those sectors would also decline, reinforcing the impact of administrative controls on investment. But in fact, even after significant policy restrictions, the real estate sector, up until today, has survived reasonably well, and it continues to generate robust demand for steel and cement. Analysts and policymakers have "gone around in a big circle," and they are now wondering what the future trends in the real estate sector will be.[21]

Assessing the Economic Effects of Macroeconomic Recontrol

There is still no consensus regarding the ultimate impact of macroeconomic recontrol. In part, this lack of agreement stems from great uncertainty about which economic numbers are relevant and about what those numbers mean. For example, the National Bureau of Statistics (NBS) reported that gross domestic product (GDP) in the first half of 2004 grew rapidly, with a very slight slowdown in the second quarter, but many complexities of the data and revisions were quietly revealed in the subsequent press conference.[22] According to the NBS data, GDP growth was 9.7 percent in the first quarter of 2004 and 9.6 percent in the second quarter, and other important economic magnitudes were also decelerating but maintaining growth. The picture was thus one of gradual change in the economy. This image was completely misleading. These figures were reported, as is Chinese practice, with reference to the year-previous period. But a year previously, China was in the grip of the severe acute respiratory syndrome (SARS) crisis, and economic growth had slowed substantially in the second quarter of 2003. More generally, looking at monthly or quarterly data compared to the year-previous period essentially cumulates the effect of an entire year's changes, "averaging" the effect of rapid growth in previous periods with that of the slower growth in the second quarter of 2004. The essence of the economic situation comprised a dramatic policy change and a sharp slowdown in the second quarter, the exact opposite of the impression one would get from casual perusal of NBS data releases.

According to an alternative calculation, when growth is calculated quarter to quarter, instead of compared to the year-previous period, the GDP growth rate in the second quarter was only 2.3 percent, and growth of fixed investment and industrial value-added was essentially zero, at least until a small June upturn.[23] In other words, when the data are inspected more carefully, the picture that emerges is one of stop-and-go growth, not gradual cooling. The pace at which China's economy grows over the new year will depend completely on the manner in which reformulated policies are implemented. On the one hand, gradual lifting of investment controls and relaxation of the administrative side of macroeconomic recontrol will lead to a rapid resumption of investment, at least under current conditions. On the other hand, monetary policy has been restraining the growth rate of credit for almost a year now, and monetary policy works, with lags, to reduce liquidity and restrain investment. How these offsetting trends will play out in the future is still highly uncertain.

In the meantime, China's economy over the summer has also been roiled by the impact of energy shortages. Electricity blackouts and brownouts have been common, and there has been a significant impact on production. However, it is extremely difficult to tease out the effects of electricity shortages from those of macroeconomic recontrol. Energy shortages ought to strengthen the hand of those, such as Premier Wen Jiabao, who are seen as authors of macroeconomic recontrol. The steel, aluminum, and cement sectors are among the most energy-intensive in the entire economy. If energy is temporarily in short supply, reducing the output of these sectors is a reasonable, and perhaps unavoidable, policy. But at the same time, energy shortages further muddy the waters and make it difficult for policymakers and outside analysts to track the intricate and complex changes in the economy.

For Wen Jiabao, there is a great deal at stake. If macroeconomic recontrol is eventually seen as a big success, he will be in an extremely strong position. But if macroeconomic recontrol fails, Wen will have to face the fact that he has made a lot of enemies. A preliminary indication of these aftereffects will come in September, when the Fourth Plenum of the 16th Central Committee meets. At this meeting, multiple interests and factions will compete to be heard with their opinions on and objections to the policy of macroeconomic recontrol. Even at the plenum, everyone will publicly declare allegiance to central government policy, while struggling to reshape it in their own interests. Factions will compete, but in addition, individuals will cross factional dividing lines, multiple interest groups will contend for power and money, and individuals will scramble to keep up with the changing rules of the game.

Notes

[1] Wang Jianmin, "Wen Jiabao yu Zeng Qinghong de Quanli Jiaoliao" (The political test of strength between Wen Jiabao and Zeng Qinghong), *Yazhou zhoukan* (Asia weekly), August 30, 2004, http://www4.chinesenewsnet.com/MainNews/Forums/BackStage/2004_8_30_7_46_354.html. I am indebted to Cheng Li for sharing this article with me.
[2] Two reports have been especially influential. The first was a description of the June Politburo meeting in the *Straits Times* of Singapore, which claimed that Shanghai Party Secretary Chen Liangyu had "launched a frontal attack" on Wen Jiabao. Leslie Fong, "Leadership Dispute over China Growth," *Straits Times* (Singapore), July 10, 2004, http://straitstimes.asia1.com.sg. The second was the story of a group of Jiang supporters meeting at Beidaihe to plot resistance to Hu and Wen. This story has been reported in many places, for example in "Jiang Zemin Faction Swears Allegiance at Beidaihe," *China Times*, August 7, 2004, http://news.chinatimes.com/Chinatimes/newslist/newslist-content/0,3546,110505+112004080700079,00.html.
[3] Such as the *Wall Street Journal* editorial, "China's Economic Debate," *Wall Street Journal*, August 13, 2004.
[4] Gao Xin, "Wen Jiabao's Cabinet and Relations with Jiang Zemin," *China Strategy Newsletter* 2 (April 30, 2004): 21–26, http://www.csis.org/isp/csn.
[5] "Guowuyuan zhaokai dianshi dianhuahui; Zeng Peiyan: Yange kongzhi bufen hangye guodu touzi" (State Council phone conference; Zeng Peiyan says strictly control excessive investment in a few sectors), Xinhuanet, February 5, 2004, http://news3.xinhuanet.com/zhengfu/2004-02/05/content_1299311.htm.
[6] "Zeng Peiyan qiangdiao renzhen guanche zhongyang xiabannian jingji gonzuo bushu" (Zeng Peiyan stresses the necessity of earnestly carrying out central instructions in the second half of the year in economic work), August 4, 2004, http://mmi.gov.cn.
[7] For example, all the accounts of the Beidaihe meeting of the Jiang clique, such as the *China Times* story cited above, place Zeng Peiyan there.
[8] Barry Naughton, "The Western Development Program," in *Holding China Together: Diversity and National Integration in the Post-Deng Era*, ed. Barry Naughton and Dali Yang (New York: Cambridge University Press, 2004), 261–63.
[9] Wu Zhenyu (State Council Development Research Center Finance Institute), "Hongguan tiaokongxia jingji yunxingzhong de xinwenti he qianzai wenti" (New and hidden problems in economic operations under macroeconomic recontrol), August 26, 2004, http://mmi.gov.cn.
[10] In "Hongguan tiaokong Jiang xiang taigai fangxiang yanhua" (Macroeconomic recontrol should develop in the direction of system reform), August 27, 2004, http://www.mmi.gov.cn/.
[11] Hu Shuli, "Interest Rates Aren't Useless in Macroeconomic Management; Guidelines Set Forth by Premier Wen Jiabao at a State Council Meeting Earlier This Month Might Portend Where China's Economy Is Heading," *Caijing*, July 20, 2004, http://www.caijing.com.cn/english/2004/040720/040720editorial.htm.
[12] "Wen Jiabao zhuchi Guowuyuanhui; Bushu jinrong xitong duohao liuxiang gongzuo" (Wen Jiabao convenes State Council meeting, instructs financial system to do six work items well), August 20, 2004, http://mmi.gov.cn.
[13] "Renzhen guanche luoshi Guowuyuan Changwu Huiyi jingshen jinyibu zuohao dangqian jinrong gongzuo" (Earnestly and thoroughly implement the spirit of the State Council Standing Committee meeting to do an even better job in current finance work), August 23, 2004, http://www.pbc.gov.cn/xinwen/?id-898, and "Fagaiwei Zhuren Ma Kai: Hongguan tiaokong yao zuohao 'wuge gengjia'" (SDRC Director Ma Kai: In macroeconomic recontrol we should do 'five still moresos' well), *Zhengzhuan shibao*, August 28, 2004.
[14] "Guowuyuan guanyu touzi tizhi gaige de jueding" (State Council Decision on the Reform of the Investment System), *Guofa*, 2004, no. 20 (July 25), http://www.cnaec.com.cn/gongzuo/01/20040723.htm. For background on the lead-up to this policy, see Zhao Xiaojian, "Touzi tizhi gaige shinian paihui" (Ten years of vacillation in the reform of the investment system), *Caijing*, December 2003, 64–65. I am grateful to Walter Hutchens for providing the web link to this document, and for helpful clarifying discussion.
[15] See especially Hu Shuli, "Editorial: Macroeconomic Management and the Return of the Approval System," *Caijing*, June 20, 2004, http://www.caijing.com.cn/english/2004/040620/040620editorial.htm, and Mo Fei, "Guojin mintui de xindai xinhao" (The sign from credit of state advance and private retreat),

21 shiji jingji baodao (21st-century economic report), June 28, 2004, http://222.nanfangdaily.com.cn/jj/20040628/jd/200406280013.asp.

[16] Hu Shuli, "Editorial: Macroeconomic Management"; see also Mo Fei, "Guojin mintui de xindai xinhao."

[17]Zhong Jiayong, "Zhongguo jingji guore da zhenlun zhendong shangceng" (The great debate about whether China's economy is overheated steps up another level), August 11, 2003, http://www.mmi.gov.cn/news/hgxx/hg0308111.htm.

[18] Yao Feng, "Guoziwei yanking guore hangye mintui guojin zhonglu kuozhang huo yuzu" (The SASAC is strictly controlling the process of state firms taking over as private firms withdraw; Aluminum Corporation of China may meet obstacles to its expansion plans), *21 shiji jingji baodao*, August 18, 2004, http://www.nanfangdaily.com.cn/jj/20040819/jd/200408180006.asp.

[19] Ibid.; see also "Guoziwei yuefa 'wuzhang' jianguan zhongqi shougou" (The SASAC sets five chapters to regulate central enterprise acquisitions), August 13, 2004, http://mmi.gov.cn, and "Guoziwei: Yangqi shougou zhongdian hangye qiye bixu shixing baogao zhidu" (SASAC: Envisioning enterprises in keypoint sectors must carry out a reporting system), August 25, 2004, http://mmi.gov.cn.

[20] In Li Youxiang, "Hongguan tiaokong fangdichan xinbiange; Bacheng fangchan qiye jiangbei taotai" (New changes for real estate from macroeconomic recontrol; 80 percent of developers may be eliminated), July 20, 2004, *Jiaodian fandichan wang* (Focus real estate net), http://cq.focus.cn.

[21] Ibid. See also "Jingji fuzaxing tuxian hongguan tiaokong san da nandian" (The complexity of the economy is creating three obvious problems for macroeconomic recontrol), August 26, 2004, http://mmi.gov.cn.

[22] National Bureau of Statistics, "National Economic Performance Is Good in the First Half of 2004," July 16, 2004, http://www.stats.gov.cn/english/newsandcomingevents/t20040716_402168122.htm, and Zheng Jingping, "Zhongguo jingji rengjiang kuaisu jiangkang xietiao pingwen fazhan" (The Chinese economy is still developing in a rapid, healthy, coordinated, and stable fashion), press conference of NBS spokesperson Zheng Jingping, http://www.people.com.cn/GB/jingji/1037/2644947.html.

[23] Wu Zhenyu, "Hongguan tiaokongxia jingji yunxingzhong." For general criticism of the NBS release of data, see Hu Shuli, "Funny Figures: Data-gathering Reforms Sorely Needed," *Caijing*, August 5, 2004, http://www.caijing.com.cn/english/2004/040805/040805editorial.htm.