Economic Policy in 2004: Slipping behind the Curve?

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When the Hu-Wen administration took power in spring 2003, it promised an ambitious two-stage program of administrative restructuring followed by decisive reformist policies. While the first part of this program has been realized, the second has not. It would have been reasonable to expect a significant acceleration of economic reform and institutionalization during 2004. Instead, a general trend of slow and sometimes disjointed policymaking has emerged. This phenomenon is evident in the three most important areas of financial and macroeconomic policy: restructuring of the banking system, reform of the stock market, and the conduct of macroeconomic policy itself. In all three areas, the decisive action required has not yet been forthcoming. Policymakers have certainly not been idle, but economic policy has been most active with respect to redistributive policies, such as those affecting agriculture and regional development. Numerous challenges and dangers are associated with this pattern of policymaking.

Introduction and Background

Earlier *CLM* postings have extensively covered the rapid start made by Premier Wen Jiabao. Even before his formal inauguration in March 2003, Wen moved to restructure government economic organs and to lay a basis for methodical policymaking and reform.[1] It was natural for the new administration to give priority to administrative reorganization, and the Hu-Wen leadership also advanced a general principle of first establishing laws and principles, and only subsequently implementing specific actions and policies (*xian guilu, ranhou xingdong*). By the beginning of 2004, these first stages had been completed. Administrative reorganization had been carried through, at least at the center. The Third Plenum of the 16th Central Committee, meeting October 11–14, 2003, promulgated a series of programmatic documents on the further opening of the economy, the increased role of private ownership, and the promotion of high technology.[2] More concrete, but still general, programmatic documents, such as one on capital market reforms, were passed in January 2004. This sequence of events would seem to have created the foundation for a much more responsive, rapid, and decisive policymaking process during 2004. But in fact, policymaking achievements during 2004 did not live up to these expectations.

To be sure, subsequent policymaking was never destined to be as smooth as the two-stage scenario would imply: the severe acute respiratory syndrome (SARS) epidemic in spring 2003 and the emergence of destabilizing capital inflows and economic overheating in the second half of that year disrupted the march toward a more regularized policy process. The complexities of managing China's rapidly growing and potentially unstable economy will inevitably stir heated debate and require policymakers to respond flexibly to unanticipated situations. However, what emerged during 2004—and especially during the second half of 2004—was something more like policy immobility. The year 2004 has come and gone, with surprisingly few important landmarks in Chinese economic policymaking. In particular, few cases of institutionalization of economic policy during 2004 can be pointed to. This lack of progress is particularly obvious with respect to financial and macroeconomic policies.

Macroeconomic Policy Contention

Debate about Chinese macroeconomic conditions has been ongoing since mid-2003, but actual policy implementation has been inconsistent. In April 2004, the Chinese leadership swung sharply to a policy of tightening macroeconomic control primarily through administrative measures to restrict investment (*hongguan tiaokong*).[3] Since that time, however, administrative measures have been relaxed, while monetary policy has begun to take up more of the burden of macroeconomic control. Throughout this process, debate has continued on the nature of the economic imbalances China is experiencing, and on the proper means of dealing with them. One side, which we might label the (orthodox) "macro" economists, argues that problems of inflation and shortage are basically manifestations of aggregate imbalances. Overall, the macros argue, demand has grown too rapidly, outpacing the growth of supply. The proper way to deal with these imbalances is to restrain the growth of aggregate demand, through monetary, fiscal, and exchange rate policy. The particular sectors in which imbalances emerge first are not of central importance; imbalances have to manifest somewhere first, and the most important thing is to adjust the overall imbalances as quickly as possible. The other side consists of what we might call "structural" economists. For these economists, imbalances reflect specific problems in individual sectors, not overall macroeconomic imbalance. In China's case, they have argued that structural policy adjustments were called for in real estate, some industrial intermediate goods (especially steel and aluminum), and grain. Given this understanding of the underlying problems, the structuralists supported direct government interventions in those sectors.

The two sides of this debate are strongly represented in different bureaucratic interests within the Chinese government. The macro position is articulated, as we would expect, first and foremost by the People's Bank of China (PBC, or the Central Bank) and its head, Zhou Xiaochuan. Frequently, its views are supported by representatives of the Ministry of Finance, which tends to view the world through a similar macroeconomic lens. The structuralist position is vigorously represented by the State Development and Reform Commission (SDRC), the most recent incarnation of the former State Planning Commission. During 2004, the SDRC found a consistent ally in the National Bureau of Statistics (NBS). It is said that representatives of these two sides vigorously advocated contrasting policy recommendations to Premier Wen Jiabao during most of 2004. The argument raged on an almost daily basis.

Each side advocates policies that are consistent with the interests of the bureaucracies it represents. It is not surprising, in any country, to hear the Central Bank advocating orthodox monetary policy. The prominent role of the SDRC and the NBS has, however, raised some eyebrows. When the SDRC was created in early 2003, its new name and functions were intended to signal a definitive break with past policies of direct administrative control of the economy. Instead, 2004 witnessed a sharp increase in both the role of the SDRC and the pace of its direct intervention in the economy. Most important is the checking and auditing of investment projects as part of the macroeconomic adjustment program. But there has also been a dramatic strengthening of SDRC power due to energy shortages, since the SDRC makes the final call on electricity allocations. Moreover, as regional development programs (both western and northeastern) have enjoyed increasing resources, the SDRC has gained clout in those particular regions through its decisions on infrastructure investment projects. The sudden, unanticipated increase in the SDRC's profile and power has generated widespread grumbling and resentment.

The prominent role of the NBS in policy debates has also struck many observers as curious. Although the NBS has many outstanding and dedicated professional statisticians, its efficacy has been seriously challenged by the rapid changes in China's economic structure in recent years. Many of its statistical procedures are out of date, so much so that China's official statistics may actually be less accurate than they were a decade ago.[4] Data collection is especially inadequate in providing rapid feedback about current economic conditions. Given these circumstances, many outside observers have felt that the NBS was inappropriately becoming an advocate for specific policy positions, rather than concentrating on its core responsibility to provide the best, most transparent, and most up-to-date data possible.

This debate occurred primarily in-house, between representatives of different government agencies. Few of the independent or academic economists in Beijing have been consulted on policy choices. This state of affairs represents a change from the method of consultation that Zhu Rongji employed when he was premier. Famously self-assured and rough on subordinates, Zhu did not hesitate to bring in outsiders with contrasting views. Wen Jiabao, by contrast, is supportive of subordinates and respects their views. But by keeping economic advice in-house, Premier Wen may get a distorted version of the overall economic situation, and end up giving too much weight to the views of the relative handful of individuals within government agencies. Indeed, the April 2004 measures of macroeconomic recontrol were quite unpopular with most independent Chinese economists, who viewed them as a misguided attempt to solve macroeconomic problems with administrative and microeconomic measures.

Who won this macroeconomic debate? In April 2004, the SDRC obviously prevailed, but since that time, the picture has been far more mixed. The administrative solutions sponsored by the SDRC obsolesce quickly: they do have short-term effect, but in China's complex market-driven economy, they cannot work for long. In the meantime, the PBC has had some success in restraining the growth rate of credit and liberalizing the interest-rate-setting mechanisms for banks. The Central Bank began tightening credit way back in December 2003, and credit growth rates have continued to come down steadily every since. Throughout 2004, the PBC was only able to raise interest rates once, on October 28, and then only by a modest 0.27 of a percentage point (to 5.58 percent for one-year loans).[5] Although formal interest rates have not changed much, the Central Bank has continued to draw liquidity out of the system. Central Bank lending decisions affect macroeconomic performance with a time lag ranging from 9 to 18 months. As a result, policies begun in December 2003 will have their most important effects during 2005. Thus, the long-run effects of monetary policy, as set by the Central Bank, are likely to be more important than the administrative controls imposed by the SDRC. But this is a gradual shift, driven by market conditions. In terms of the macroeconomic policy debate, we have to say that neither side prevailed, and that the two sides fought each other to a standstill. This conclusion can become more apparent if we look at a specific example: the interaction between inflation and rural economic conditions.

Inflation and the Rural Economy

The discussion over inflation is a telling example of the kind of debate that went on during 2004. On the one hand, during the five years of price stability after 1998, Chinese policymakers had repeatedly said that inflation should be held below 5 percent. Yet in June 2004, consumer price inflation broke the 5 percent barrier, and it stayed above that bright red line through September. In the meantime, the People's Bank of China began to publish a producer price index (PPI) that has been growing considerably more rapidly than the consumer price index (CPI).[6] The CPI peaked at 5.3 percent in August 2004 and then began to decline, while the PPI continued to rise to a peak of 8.4 percent in October, only then easing off. In some respects, the PPI published by the Central Bank might be seen as an implicit rebuke to the NBS, but more importantly, it is beneficial for everybody to have a more diverse range of statistical indicators, with more transparency and even a certain degree of competition.

Both indexes show that inflation slowed significantly during the fourth quarter of 2004, and both indicate the same reason. The most important factor driving inflation during 2004 was the higher prices for grain and other farm products after the weak 2003 harvest. By midsummer 2004, it was clear to all sides that good weather, increased government support, and high market prices were going to lead to an excellent grain harvest in 2004, and in fact the final harvest, at 469.5 million tons, was the best in five years.[7] The result was a dramatic moderation in inflationary pressure, as consumer food prices stabilized after the harvest. By November, inflation as measured by the CPI had dropped back to only 2.8 percent.

The improvement in conditions in rural areas is good news for the Chinese economy. To a large extent, however, this success was achieved without bringing overall macroeconomic policy into balance. Monetary policy was applied haltingly, and without full use of interest rate adjustments. Ironically, the interest rate was increased only after consumer price inflation had begun to ease off. Due to indecision at the top political levels, orthodox macroeconomic policy measures were applied too little, too late, and policymaking remained behind the curve. So the fact that inflation eased off without broad monetary contraction is in some respects a victory for the structuralists. It is still not clear, however, what this will mean for the Chinese economy in the future. Both gross domestic product (GDP) growth and investment growth were extremely robust in the fourth quarter of 2004. The statistical communiqués of the NBS have increasingly described the economy in formulaic phrases, and it is very difficult to determine from them what the short-term dynamics of the economy are.[8] One thing, however, is certain: the sharp reductions in investment growth that occurred during the second quarter—following the intensification of macroeconomic recontrol—have not been sustained. Investment growth (and with it GDP growth) has rebounded. Thus, it is clear that administrative controls over the economy have been significantly relaxed since midyear 2004.

More Policy Stagnation

Bank Restructuring

As with the institutionalization of macroeconomic policymaking, progress was modest in financial restructuring. Probably the most important initiative to take shape during 2004 was the restructuring of the two strongest state-owned banks, the Bank of China and the Construction Bank of China. After injections of capital at the end of 2003, both banks were restructured into joint-stock corporations in August 2004 in preparation for a stock market listing, which was widely anticipated to include the sale of a strategic stake to an overseas bank. The Construction Bank was expected to list by the end of 2004. It didn't happen. In fact, on December 29, 2004, a State Council Standing Committee meeting was convened specifically to address the problems these banks were experiencing. While the general thrust of reform was reaffirmed, the need for continued internal management reforms was strongly reaffirmed as well. In fact, exactly the same vocabulary (*tifa*) was applied as had been applied to macroeconomic recontrol: the achievements were "preliminary and provisional, and the reform challenge was still extremely heavy."[9] By early 2005, both banks were facing indefinite delays due to problems with accounting, accountability, and corruption that were more serious than anticipated.

On January 17, 2005, it was announced that Xie Ping would become the new general manager of the Huijin Corporation, which is the state holding company created to inject capital into the Bank of China and the Construction Bank, and which currently owns 100 percent of their shares. This is a very interesting choice. Xie Ping has worked for 20 years for the Central Bank, where he has built a reputation as a formidable intellect and academic, probably the most effective and prominent analyst of Chinese monetary and financial conditions. Most recently, Xie Ping has been head of the Central Bank Stabilization Bureau, and a member of the monetary policy committee. His appointment to Huijin shows just how high the stakes are. China has deployed one of the strongest intellects available in the financial field, but also someone without a track record as an administrator, showing the importance that is being placed on getting this particular piece of restructuring done right.[10]

In fact, much work has been done at these two banks. Both report substantial declines in their rates of nonperforming loans (NPLs). At year-end 2004, the Bank of China reported an NPL ratio of 5.12 percent, and the Construction Bank reported a ratio of only 3.7 percent; both also reported a significant increase in provisioning for bad loans. With reported capital adequacy ratios of 8.62 percent and 9.39 percent, respectively, both banks appear close to or at international standards, if the numbers are reliable. However, despite these achievements, financial leaders have clearly determined that the banks are still not quite ready for their listing. The head of the Construction Bank has called for 2005 to be dedicated to strengthening auditing and preparatory work, and plans for a stock market listing are being further delayed.[11] The Bank of China has recently been rocked by another large scandal, in which bank officers in a modest bank branch in the northeastern province of Heilongjiang managed to abscond with funds totaling over $100 million. Despite the scandal, the head of the Bank of China has recently claimed that the bank is on track for a stock market listing sometime during 2005.[12]

The Stock Market

An additional important area in which little progress was made during 2004 was the effort to put the stock market on a sound basis by increasing the proportion of shares that circulate on the market. Currently, a majority of shares of China's publicly listed firms are held by the state or by state agencies (at least formally), distorting market signals and obstructing progress toward a more effective system of corporate governance. Since 2002, debate and discussion have been under way over whether, how, and how fast to reduce the direct state presence in the market. Progress has been consistently blocked by ideological differences, powerful interest groups among shareholders, and jurisdictional battles between the stock market regulator (the China Securities Regulatory Commission, or CSRC) and the manager of state assets (the State Asset Supervision and Administration Commission, or SASAC). The only significant step that has been made toward resolving some of these issues was sufficient agreement between the CSRC and the SASAC to allow the CSRC to publish provisional procedures governing (and thus allowing) the sale of some state shares on a case-by-case basis. The procedures are complicated and, in a few particulars, internally inconsistent. But even so, they did allow a procedure for selling off at least some state shares. Precisely for that reason, market sentiment was negative, and the long-run market decline resumed in the fourth quarter of 2004. On January 14, 2005, the stock markets temporarily suspended procedures for selling off state shares.[13] At the end of January, the Shanghai composite closed below 1,200 for the first time in five and a half years, while the Shenzhen index reached its lowest level since 1997.

Reasons for Lack of Progress

Reformers have relatively few concrete achievements to show for their efforts in 2004, at least in the fields of financial and macroeconomic policy and institutions. In macroeconomic policy, the two camps essentially fought each other to a standstill during 2004. An opportunity to use macroeconomic tightening to strengthen financial institutions was thereby lost. On the other side of the equation, efforts to launch new, restructured banks and stock market institutions have also been substantially delayed.

It is not hard to find explanations for this modest record. In the first place, the performance of the real-sector Chinese economy was very strong during 2004, so it is not surprising if policymakers lacked some urgency about institutional reform. Without a sense of crisis, it is difficult to compel the sacrifices needed for the next stages of reform. Moreover, policymakers have limited time and attention, and a great deal of their attention is taken up by a number of pressing matters. On a day-to-day basis, policymakers have to deal with many urgent economic issues. They are under constant pressure to tend toward compliance with World Trade Organization (WTO) commitments on a broad range of issues, including—at least—trade, finance, and intellectual property rights. Equally pressing is the need to deal with the constant stream of financially troubled or bankrupt institutions, as well as the seemingly unending stream of revelations about corruption. The scandal discussed above, at the Bank of China, is the tip of a huge iceberg. After all, the Bank of China had been qualified for listing and restructuring precisely because its internal audit and control mechanisms were adjudged to be better than those at other state-run financial institutions. Major financial problems in almost every sector of the economy have already caused the Chinese government to commit hundreds of billions of dollars of bailout funds, and to invest substantial time and attention into managing the public perception of various crises and scandals. Besides the large sums of money spent to recapitalize the main state-owned banks, China has spent billions on rural financial institutions, local banks, and local investment companies. Major problems remain with the securities companies that invest in the stock market, and major public scandals—such as the one that swept China Aviation Oil (Singapore) at year-end—have emerged with disturbing regularity.

Redistributive Policies

While financial and macro policy has been indecisive and unsettled, the Hu-Wen administration has moved consistently ahead with a set of redistributive (and perhaps "populist") policies. At the forefront has been policy toward the rural areas: raising rural incomes has been declared the top policy goal of the government.[14] The party center and State Council kicked off the calendar years in both 2004 and 2005 with a rural-themed "Document No. 1," laying out general policy guidelines for improving rural incomes and strengthening the rural economy. These documents resumed a tradition from the 1980s—during the high tide of rural reform and growth—when "No. 1 documents" were issued five years in a row, from 1982 through 1986. Document No. 1 in 2004 and its counterpart in 2005 resemble one another in their general provisions, but their tones are distinct. The 2004 document suggests experiments for localities; the 2005 document argues that the experiments have already been successful and that they should be broadened, especially emphasizing that guarantees should be given to farmers that policy will be consistent.[15]

The package of rural policies in 2004 covers a large area, well beyond the scope of this paper. Many specific policies are named, and their common goal has been to protect farmers from the pressures created by rapid industrialization and the trade liberalization implied by China's WTO accession, while still adhering to specific WTO commitments. One of the most important provisions has been a reduction in the agricultural tax, which has been implemented on a province-by-province basis. Richer provinces were encouraged to go first in eliminating or reducing the agricultural tax, and they did. In 2004, about 28 billion yuan (out of 60 billion yuan total) in agricultural tax was remitted; for 2005, 22 of China's 31 provinces have announced their intentions to eliminate the tax altogether. The 2005 document promises to make such tax cuts permanent.[16]

The outcome of these policies has been generally positive. In 2004, rural incomes increased 6.8 percent in real terms—not quite as fast as the urban increase of 7.7 percent, but still the most rapid increase since 1997.[17] The largest role in this increase, to be sure, was played by the impact of higher farm prices and the subsequent increase in grain supply. Still, other policies also played a role in supporting a stronger rural economy. Government policymaking has begun to systematically channel resources toward rural areas. Along with pro-rural policies, China's central government now runs two large-scale regional redistributive policies, the ongoing western development program, which was initiated in 2000,[18] and the northeastern rejuvenation scheme, which was formally begun at a September 10, 2003, State Council meeting and came into full effect during 2004. Substantial sums have been channeled to these two regions since these programs were begun. The Hu-Wen administration has definitely begun to "put its money where its mouth is" when it comes to economic policymaking. Political rhetoric had already shifted toward helping disadvantaged groups and regions as soon as Hu and Wen came into office in 2002. By 2004, the flow of resources followed the path set by political rhetoric.

Implications and Dangers

There is plenty of good news about the Chinese economy today, but the current pattern of policy outcomes should also raise some real concerns. First, the current administration has not shown decisive, prompt policymaking in dealing with macroeconomic imbalances. On the contrary, policymakers have provisionally renounced the active use of the most important macroeconomic levers. Policymakers have decided not to adjust the exchange rate; not to raise interest rates except slowly and in tiny steps; and not to adjust electricity prices. Such decisions tend to back policymakers into a corner. The longer a macroeconomic instrument is left unused, the more politicized the eventual decision to use it becomes. In this way, the leaders are depriving themselves of the most powerful instruments at their disposal, creating a significant future danger that if macroeconomic imbalances worsen, policymakers will wait too long to address fundamental macroeconomic problems.

Second, when key macroeconomic variables are not allowed to adjust, they actually become more seriously misaligned. For example, China's exchange rate is said to be fixed, but in reality it is, of course, only fixed with respect to the U.S. dollar. Since the debate began about China's exchange rate, the U.S. dollar has declined significantly with respect to the euro and the Japanese yen (although there has been some bounce-back during 2005), so the Chinese yuan has actually become even more misaligned with respect to the euro and the yen. Relatedly, as China's economy was overheating badly in early 2004, China's trade surplus disappeared. But with selective recontrol of the economy and the end of textile quotas at the beginning of 2005, surpluses are now again growing rapidly. China has raised interest rates, but only once, during a period when the United States has raised interest rates six times, although China's inflation rate is generally higher. A more flexible and comprehensive market system allows complex economic forces to work out through numerous interlinked markets. The approach in China in 2004 has been to try to solve each problem separately through a targeted intervention, and this creates new imbalances and problems down the road.

Third, steady institutionalization of the economy requires that market-conforming measures are used whenever possible to deal with short-run situations. In this sense, the year 2004 saw a series of missed opportunities. If the Central Bank had been allowed to deal with macroeconomic imbalances through the use of interest rate adjustments, this would have helped foster the development of credit markets. If stock market reforms had been pushed through as well, this would have contributed to the growth of diversified stock and bond markets that would be helping the economy work more efficiently today and in the future. When progress is not made in these directions, there is a danger of slipping backward, of creating new financial problems, and of allowing problems to accumulate. These worries are especially acute as we see new bureaucratic institutions created that bring economic decision-making increasingly in-house. Have those institutions already begun to settle back into a familiar pattern of bureaucratic complacency and self-interest? If so, the hopes for a pattern of strong and decisive policymaking based on restructured institutions will quickly fade.

The failure to institutionalize progress has come even as policies have achieved short-run success. For example, China's fiscal system has increasingly been used to tilt the distribution of budgetary resources toward poor and disadvantaged regions. This is a good thing, but one cannot help noticing that the changes in the flow of resources have taken place without a parallel restructuring of the budgetary system. Resources are earmarked for priority purposes and underfunded regions, but on an ad hoc basis. The budgetary *system*—which systematically starves local levels and concentrates too much discretion at the top—has not been substantially altered for a decade. The lesson is clear: faster systemic reforms are necessary to consolidate the achievements made possible by China's dynamic and vital economy.

In fact, Premier Wen Jiabao has enjoyed a window of opportunity this fall and winter, as grain prices have stabilized at a healthy level and the inflation rate has moderated. He can now eliminate extraordinary administrative controls, allow moderate interest rate increases, and—relying on the medium-term impact of restrained credit policy—declare victory. If he uses this window to bring his key macroeconomic policy instruments back into line, then not too much harm will have been done, and the Chinese economy can get back onto a healthy growth path. If, however, he continues to side with the interventionists and does not adjust macro policy instruments in a timely fashion, the Chinese economy could face increasing challenges. Wen Jiabao's policy toward rural areas has been sure-footed and realistic, based on years of experience. This pattern of decisive and effective action needs to be applied to the financial and macroeconomic fields as well.

Notes

[1] See "The Emergence of Wen Jiabao," *China Leadership Monitor* 6 (spring 2003); "Government Reorganization: Liu Mingkang and Financial Restructuring," *CLM* 7 (summer 2003); and "Financial Reconstruction: Methodical Policymaking Moves into the Spotlight," *CLM* 10 (spring 2004). In a related fashion, *CLM* 8 (fall 2003) covered "The State Asset Commission: A Powerful New Government Body."

[2] "Materials to Aid in Studying the Resolution of the Third Plenum of the Party's 16th Congress," November 13, 2003, http://jgdw.mofcom.gov.cn/article/200311/20031100147520_1.xml.

[3] Extensively covered in "Hunkering Down: The Wen Jiabao Administration and Macroeconomic Recontrol," *CLM* 11 (summer 2004), and "Changing the Rules of the Game: Macroeconomic Recontrol and the Struggle for Wealth and Power," *CLM* 12 (fall 2004). For background, see "An Economic Bubble? Chinese Policy Adapts to Rapidly Changing Conditions," *CLM* 9 (winter 2004).

[4] These problems have been widely recognized in China. On December 23, 2004, a large-scale economic census was planned, and plans are also under way for a comprehensive reevaluation and revamping of China's economic statistics. "China's First National Economic Census Will Strive for Complete Coverage of the Secondary and Tertiary Sectors" (in Chinese), http://chinaneast.xinhuanet.com/2004-12/31/content_3486704.htm.

[5] The rate on one-year bank deposits was raised by the same amount, to 2.25 percent.

[6] The producer price index is sometimes translated as the enterprise price index. Most countries produce both a CPI and a PPI, but the Chinese NBS has never calculated a PPI. The People's Bank of China, moreover, calculates a month-to-month rate of change for their index, which the NBS has never publicly done for the CPI (both sources publish a year-on-year inflation figure for their respective indexes). The higher PPI inflation rate reflects the nature of the underlying inflationary pressures in the Chinese economy, which are concentrated in raw material goods prices.

[7] Li Deshui, "The National Economy Maintained Stable and Relatively Fast Growth in 2004" (in Chinese), January 25, 2005, http://www.stats.gov.cn/tjfx/jdfx/t20050125_402225538.htm.
Results for the year through the third quarter are available at http://www.stats.gov.cn/tjfx/jdfx/t20041022_402202147.htm.

[8] Li Deshui, "The National Economy."

[9] "The Standing Committee of the State Council Studies How to Advance the Shareholding Reform of State-owned Commercial Banks" (in Chinese), http://www.chinaneast.gov.cn, December 30, 2004.

[10] Wei Rongzhi, "Strongman Xie Ping Is Sent into the Huijin Company," *Guoji jinrongbao* (International financial daily), January 18, 2005, http://www.people.com.cn/GB/jingji/1040/3127017.html.

[11] "Vice-head of the China Banking Regulatory Commission Tang Shuangning: Bank of China, Construction Bank Will Each Be Listed as Conditions Mature," *Renmin ribao*, January 19, 2005, 6, http://www.people.com.cn/GB/jingji/1037/3129223.htm; Zhang Enzhao, "Bank of Construction Making a Big Effort to Be Listed This Year; Financial Indicators Already Close to International levels" (in Chinese),

Zhengquan shibao, January 21, 2005, http://finance.qq.com/a/20050121/000029.htm; and “Bank of China, China Construction Bank 2005 Listing Plans in Doubt,” January 31, 2005, http://sg.news.yahoo.com/050131/1/3q85q.html.

Field Code Changed

[12] “BOC on Course for IPO Despite Fraud Case,” China Daily, February 1, 2005, http://test.china.org.cn/english/BAT/119422.htm.

[13] Mo Fei and Li Jin, “Will the Sales of Noncirculating Shares Be Shelved?” (in Chinese), *21 shiji jingji baodao*, January 19, 2005, http://www.nanfangdaily.com.cn/jj/20050120/dd/200501190075.asp, and Liu Hongying, “Does the Temporary Halt of C Shares Have a Follow-up?” (in Chinese), *21 shiji jingji baodao*, February 2, 2005, http://www.nanfangdaily.com.cn/jj/20050203/cj/200502020038.asp.

[14] “Closing Farm-Urban Income Gap ‘Top’ Goal” (on Chen Xiwen’s views of Document No. 1, 2005), http://news.xinhuanet.com/english/2005-02/01/content_2533283.htm.

[15] “Several Policy Views of the Central Committee of the Chinese Communist Party and State Council on Accelerating the Increase of Rural Income” (in Chinese), http://www.people.com.cn/GB/jingji/1037/2325995.html; “Views of the Central Committee of the Chinese Communist Party and State Council on Several Policies to Further Strengthen Rural Work and Raise the Comprehensive Productive Capacity of Agriculture” (in Chinese), December 31, 2004, http://politics.people.com.cn/GB/3154882.html; and “Six ‘Number One’ Documents on Rural Questions since Reform Began” (in Chinese), Xinhua News Agency, February 8, 2004, http://www.people.com.cn/GB/jingji/1037/2325996.html.

[16] “A Great Harvest for the New Year; 22 Provinces Announce the End of the Agricultural Tax” (in Chinese), *Xinjingbao*, January 24, 2005, http://finance.qq.com/a/20050124/000088.htm.

[17] Li Deshui, “The National Economy.”

[18] 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), 253–95.