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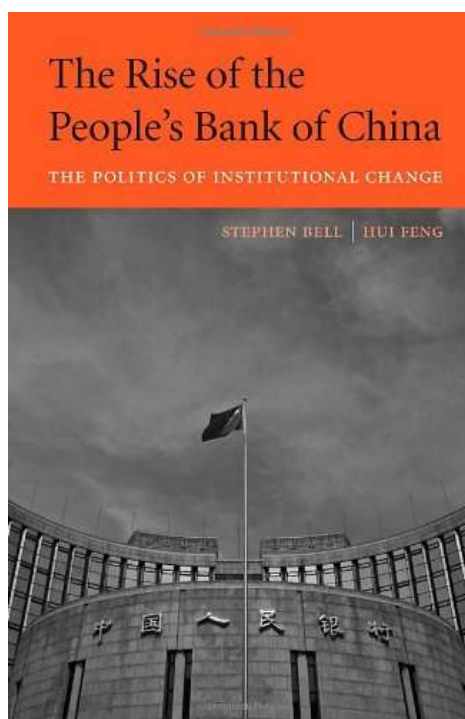
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1 This book proposes a history of the Chinese central bank, the People's Bank of China (PBC), since the beginning of the "opening and reform" period. The book tracks the growing importance of this institution in monetary policy as part of the changes at the top of the Chinese state and the Communist Party (CCP). The book is organised into two main parts. The first is a chronological presentation of changes in the PBC, distinguishing between two main periods: 1979 to 1992, and 1992 to the present. The second part of the book is concerned with the bank's major policies, in particular how it deals with inflation, its exchange rate policy, and regulation of the financial sector.

2 As a major institution of the Chinese financial system, the PBC also plays a crucial role in the global financial system. A review of its recent history is therefore extremely welcome. This book presents clearly the major regulatory and policy changes of the last 30 years, indicating their links to negotiations within the CCP in response to domestic and global macro-economic events.



- 3 The book's authors, Stephen Bell and Hui Feng, are from the School of Political Science and International Studies at the University of Queensland, Australia. Stephen Bell is Professor and Head of the school, focusing his research on governance and institutional development, and adopting China as a topic of research in recent years. His colleague, research fellow Hui Feng, has been working on contemporary China's economic transformation, with a particular focus on the financial sector.
- 4 The authors show how the PBC became an important centre of decision-making for monetary policy in the 1990s, after then-vice-premier Zhu Rongji and other senior CCP officials used it to foster their careers by proposing an agenda of liberal economic policy. In particular, the PBC became the institution in charge of responding to the inflationary episodes that marked the 1980s, and during the 1990s took pre-eminence over the Ministry of Finance in conducting monetary policy. This position was maintained and reinforced during the Hu-Wen decade, in particular under the direction of Wen Jiabao, who had overseen financial matters with Zhu Rongji in the past.
- 5 The second part of the book shows how this rise of the PBC occurred through specific contingent historical events in a series of pragmatic reactions that reflected the balance of power between different ministries and ideological sectors of the CCP. The PBC was in charge of a battle against inflation that partly countered the interests of state-owned enterprises and of certain ministries more inclined to use bank lending and monetary creation to foster GDP growth. The bank was the institution that sided most strongly against the devaluation of the RMB in the aftermath of the Asian Financial Crisis. It was also at the centre of negotiations to relax the RMB peg to the US dollar in 2005, in particular under the governorship of Zhou Xiaochuan. The latter, whose father had been a mentor of Jiang Zemin, was appointed by Zhu Rongji in 2002, and continued to be in charge through the Hu-Wen decade and up until today.
- 6 Although some factual elements are only superficially analysed, or even wrong (the analysis of the reform of stock markets seems to stop in 2006), the book presents a very informative overview of the changes of the PBC in the last 30 years. The method is varied. The book is based on secondary literature, the analysis of specific regulations, and interviews carried out with high-ranking officials. Due to anonymity clauses, no attempt is made to situate the declarations of the interviewees in their social context and personal strategies. Their remarks are most often used as proof of what they assert, without further critique.
- 7 The main theoretical framework of the book, spelled out in the introductory chapters, is concerned with the literature of institutional change. The authors debate the theories of path-dependence, the idea that institutions command individuals' behaviour, and settle for what they call a "nuanced view" according to which individuals are constrained by organisational rules but also have margins of play and creativity within the historical contingencies and ideological environments in which they operate. In spite of the long introductory chapter discussing theories of institutional change, the main question asked by the book is framed by two theoretical presuppositions that are never tackled explicitly by the authors. The question is expressed in the first three pages. The book seeks to account for the rise of the PBC as part of the attempt to "build a sound market-oriented monetary and financial infrastructure" within a "transitional (and thereby immature) financial system" in the context of a "post-communist transition" common to "developing countries." The authors ask, "How are we to explain the Bank's rising authority within the steep hierarchy of the Chinese party-state, where the party elite has traditionally guarded its monetary and financial policy autonomy? Our answer is that the rise of the PBC has been based on a relationship of growing mutual dependency with the party leadership" (all quotes above pp. 3-5). The presuppositions

embedded in these questions are not spelled out systematically in the book. Nevertheless, they structure the analysis in a way that deserves attention, not only because it accounts for many of the book's contradictions, but also because it is found in other accounts of the economic changes in China over the last 30 years.

- 8 The first presupposition is the idea that a "Western" model of "free markets" is superior to the "Leninist tradition," and that the PBC's evolution is marked by its "quest for a market-oriented economy" against the "constraints" "inherited" from the past (on a very fast count, these terms appear at least 20 times in the book). These two poles are unfortunately never analysed systematically at either the theoretical or empirical level. It is not clear what the authors see as standing for "free market" or for "Leninism," or what is "traditional" about an experience that, in 1979, was at most 30 to 40 years old in China. At no point do the authors specify which central banks belong to the "West" or why, in spite of the open differences between the European Central Bank and the US Federal Reserve, for instance, they should be considered to operate in the same way.
- 9 The authors do not attempt to justify what, according to their view, makes the "market-oriented" model more "sophisticated" and less "inefficient." This leads the authors to confusing and contradictory assertions. All the changes of the PBC analysed in the book are compared to a "modern" "Western" and "sophisticated" "free market" model, which the authors contrast with a Chinese financial system described as "immature," "underdeveloped," and "flawed." Yet they occasionally contradict this analytic framework by quoting Tang Tsou ("Chinese Politics at the Top: Factionalism or Informal Politics? Balance-of-Power or a Game to Win All?", *China Journal*, No. 34, 1995, pp. 95-156) as saying: "Chinese history is so complex that it provides many hard tests for theories, models, and general propositions based on Western cases. In turn, the Chinese experience might form the basis for new general propositions enriching the theories and models that have been built on the Western experience" (p. 14). Empirically, the authors consider all tools that go beyond the use of interest rates to manage money creation, such as directly telling banks where to lend, as belonging to the "legacy" of the "Leninist tradition" and its flaws. But in a few instances, they hold that this gives the PBC a wider array of tools than other central banks and that therefore "China is better positioned to foster stability and growth compared with major Western economies in terms of the policy options at its disposal" (p. 208). This leads to considerable misinterpretation. For example, the Chiang Mai initiative is an agreement reached between several Asian governments in 2004 to prevent foreign exchange volatility, in particular short-term speculation, by using reserves to have a direct impact on prices. The authors interpret it as part of an internationalisation that they feel goes hand-in-hand with a less controlled market, even though this agreement goes in exactly the opposite direction (p. 256). Instead of reading the particular tools and policies of the PBC as a specific result of Chinese contemporary history, the authors insist on comparing it to an idealised neo-classic economic model, without enquiring how this model was appropriated and intentionally transformed by the people whose actions they analyse.
- 10 The second major theoretical presupposition concerns assessment of the power of the PBC. For the authors, this power is not measured by the centrality of the bank in decisions concerning monetary policy, but rather by how much closer the PBC's policies draw to the neo-classical injunction to fight inflation. This implies, in turn, an analytical distinction between the PBC and the CCP. According to the authors, the PBC's application of this policy proves it to be "independent" or at least "autonomous" from the "government" and from the "the old Leninist state-planning system that refuses to abandon its authority in the financial sector and politicises monetary policy" (p. 108). Again, this leads to contradictory statements.

The authors start by claiming that they consider the independence of the PBC in relation to the “elite of the CCP,” and propose a distinction between “politicians” and “bureaucrats” without defining either of these terms: “In this book, ‘elite’ refers exclusively to the Communist Party leaders, as it is useful to differentiate politicians and bureaucrats in this study” (p. 48). Later on, they remark, “The vagueness in interpreting the incentives and preferences of senior bureaucrats is also due to their dual identities as government officials as well as party cadres. Even the notion of ‘bureaucrat’ is blurred with that of ‘politician’” (p. 126). The idea of “independence from government,” which is already of dubious usefulness in considering central banks in the U.S. or Europe, is here based on a very poor analysis of the logic of political and economic power in China.

- 11 Moreover, this analytic framework actually contradicts the description offered by the authors themselves. Indeed, they claim that the PBC applies policies against inflation and therefore becomes independent of the Party elite thanks to the action of Zhu Rongji, then vice-premier, and the subsequent actions of Dai Xiaolong and Zhou Xiaochuan, both long-term allies of Zhu and appointed as governors of the bank under his premiership. It is hard to see how this implies that tackling inflation was not a government priority at the time, or, analytically, where this “independence from government” really lies. This discourse has been used elsewhere since the 1990s, contending that the central bank has to be isolated from the inflationary temptations of governments, especially before general competitive elections. This analytic framework makes it impossible to grasp the specificities of the role of the CCP in the distribution of power in China, leading the authors to qualify the monetary financial system as an “awkward combination” (p. 84) of central planning and marketisation and growth.
- 12 The analytic framework that the authors start with, attempting to analyse the PBC within a “reconfiguration of institutional relationships between the state and the market, between party and government organs, and between the traditional planning and market-oriented elements within the party-state” seems to confine them to categories that, unlike Weberian ideal-types, do not produce clarity but rather lead to statements about reality being “awkward” or “vague.” The authors remark that the PBC is part of the recentralisation of power in the state’s hands after 1979, while they analyse how it becomes a centre of expertise drawing in part on a global epistemic community. Yet, instead of analysing the creation of a technocratic centre of power that is intrinsically part of the CCP and of the Chinese state at a time when these institutions have been transformed by entering a global arena that they have helped to modify, the authors base their analysis on categories that appeal to the neo-classic enthusiasm about “bold and radical reforms” (p. 295) for a project that even the IMF is criticising today.
- 13 The book offers a rich synthesis of the changes in policy and regulation in central banking in China over the last 30 years. Nevertheless, it would have probably benefited from a more empirically-oriented analytical framework that takes into account the specificities of Chinese contemporary history.

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