

a problem dealing with real problems

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Li Keqiang 李克强 checks National Federation of Industry and Commerce work report, 15

a trenchant critique from a top-level official questions the current policy-making process

with bureau chiefs lacking authority to resolve conflicts, some policies have evaded difficult issues

regulations issued by lower-level administrators have led to varied results in practice

Top-down decision-making and strict local compliance have been mantras of the Xi leadership. Consolidating authority, **more reliance on 'leading groups'**, and a **far greater role** for the Party in policy—all of these signalled that debate should be minimised for the sake of quicker policymaking.

But those moves hit mounting barriers in 2018, the year of economic stumbling and the Trump tariffs. Another tremor appeared on 16 Feb 2019, when at the China Economists 50 Forum, People's Bank of China Research Bureau director Xu Zhong 徐忠 found fault with the way decisions are shaped into policy documents. Behind the facade of central unity, Xu suggests, agency interests are at odds. Bureau chiefs charged with steering the drafting process lack authority to resolve these disputes, and pressure to get policy out into the field means that final documents skirt around contentious issues, failing to address tough issues or practical problems. Above all, 'real problems' are avoided.

The result, finds Xu, is that lower-level administrators gain strategic advantage over the top: for they are the ones issuing actual regulations. Their 'excessive' discretion ends up leading to significantly different results in practice. A plethora of policy documents combined with implementation shortfalls undermine market confidence, not to mention the performance and morale of officials charged with responsibility. The reforms needed are fundamental, insists Xu: how decisions are reached, how policy documents are drawn up, and how individuals are held accountable.

Xu's repeated stress on detailed printed instructions has some deeper resonance, as what is at stake is arguably the most detailed blueprint of the reform era: the 2013 Third Plenum of the 18th Central Committee, and its agenda of 'comprehensively deepening' reform. This program is thought by some to have been sidelined by Xi Jinping's 'supply-side structural reform', broadly favouring the state-owned sector. The latter

Xu implies that centralising authority might make for easier decision-making, but produces confusion for those below

Xu's critical views may well be shared by at least some leaders

the call for institutional reform has the earmarks of a challenge to existing policy-making processes

half of 2018 saw Xi issue repeated claims to the mantle of genuine reform. Xu Zhong's speech may be read by some observers as a move to nudge the reform agenda back to the 2013 model.

Xu's target, the policy-making process, is critical in itself. What he and those who support his views seem to be saying is that in the effort to centralise authority and issue clear directives, decisions are easier to reach but the result is often arbitrariness above, and confusion below. Bureaucratic wrangling is by no means a new problem; it is however one that the Xi leadership promised to solve through [government restructuring](#).

This is not the first time Xu has gone out on a limb. He commented on reforms to real estate tax regulations on 25 Apr 2018, arguing that changes should start with local pilots rather than top-down legislation imposed from Beijing. Two months later, Xu [sparked a spat between the Ministry of Finance and People's Bank of China](#).

Xu is not alone in taking issue with the way decisions are carried out. Just last month, Politburo meetings called on their Secretariat—coordinator and clearinghouse for Party documents—to [improve its deliberative capacity](#) to better serve decision-making. The gatherings also discussed regulations to improve requesting instructions and reports; leaders appear concerned that the analysis they are receiving is flawed because of logjams at lower levels and inattention to that problem at upper ones.

Also significant is that a senior PBoC researcher should air criticism of the policy process at large to an ostensibly economic forum. Calling for institutional reform—undoing at least some of what Xi and his allies managed to push through last year—has the earmarks of a carefully-nuanced challenge to current policy-making processes and those sponsoring them. Other interpretations are available: forces at the centre may welcome Xu's account of inter-agency log-jams and local 'excess discretion', local officials might well see his complaints as congruent with their interest in getting Beijing to take their advice about actual conditions.

Still, that Xu's speech appeared at all suggests that some are starting to question the reforms they worked so hard to put in place—and doing so at a time when the economy is stumbling and risks to society are [said to be](#) on the rise. If those questions gather momentum, the political stakes for all concerned will escalate.

Xu Zhong 徐忠

People's Bank of China Research Bureau director



Before returning as director in 2016, Xu worked in the PBoC Research Department from 1998 to 2003. He had previously been deputy director of PBoC financial market department. A mid 2018 op-ed criticising fiscal policy inaction ignited public debate on how fiscal and monetary policy should respond to ongoing economic challenges. High growth rates were unsustainable, he argued: they rely on real estate and basic infrastructure investment supported by local government debt. Overemphasis on growth in recent years has come at the cost of necessary reforms, says Xu. If the state does not follow through with supply-side structural reform, argues Xu, conflict between industrial structure and economic growth will become more pronounced.

context

16 Feb 2019	Xu criticises the policy drafting process at China Economists 50 Forum
26 Jan 2019	Politburo meeting reminds Secretariat to improve its deliberative ability
22 Jan 2019	People's Daily commentary stresses danger lies ahead
8 Jan 2019	People's Daily urges safeguarding of Central Committee and Party leadership
8 Jan 2019	Politburo Standing Committee calls on Secretariat to set an example
3 Jan 2019	authoritative Organisation Department commentary presents the revised Civil Servants Law as a salve to work pressures
20 Nov 2018	Xu warns against confusing short-term needs and structural reform
13 Jul 2018	Xu argues that fiscal policies not as proactive as Ministry of Finance claims
25 Apr 2018	Xu posits that reforming real estate should start with local pilots not legislation