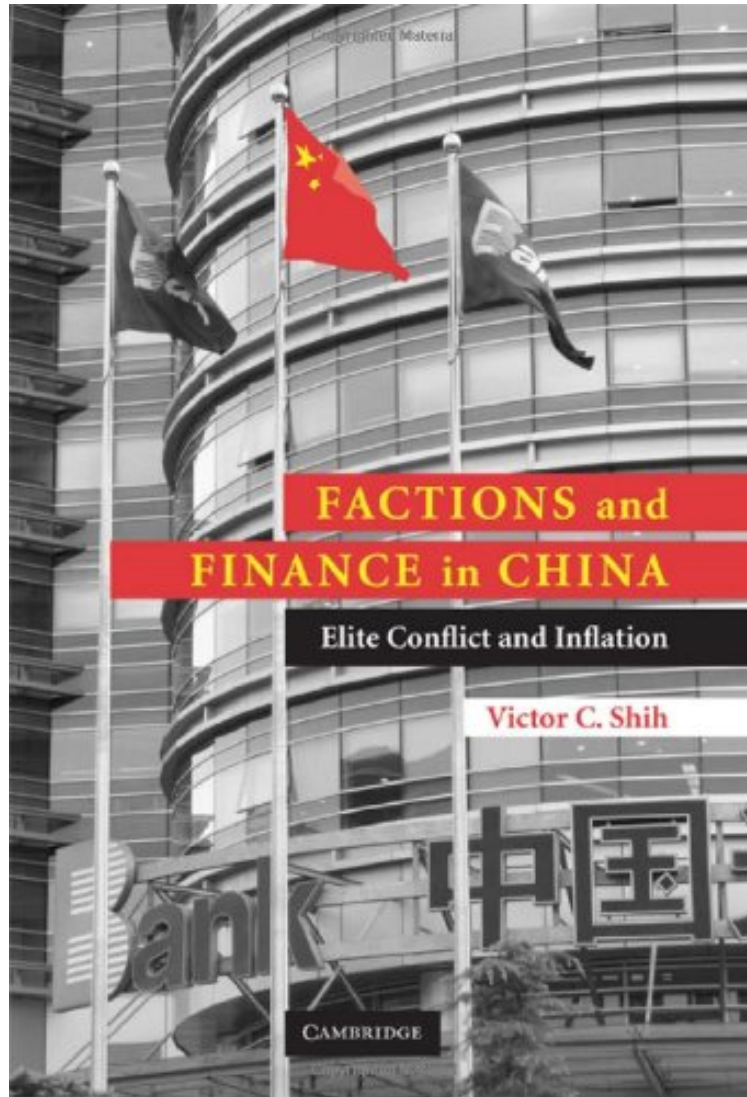


# Factions and Finance in China: Elite Conflict and Inflation

*Victor C. Shih*

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**Victor C. Shih : Factions and Finance in China: Elite Conflict and Inflation** before purchasing it in order to gage whether or not it would be worth my time, and all praised Factions and Finance in China: Elite Conflict and Inflation:

0 of 0 people found the following review helpful. A Portal into the MazeBy wsmr Professor Victor C. Shih here blends political and economic theory in an effort to unravel the formative years of China's Socialist Market Economy from Deng Xiaoping to Hu Jintao. His road through that turbulent period is built over two substrata: first functionalist explanations of power shifts and second monetary explanations of price level changes with its threatening potential of hyper inflation and resulting social disintegration in a developing economy. If that sound ponderous Shih makes it just the opposite ndash; intriguing, but it can be skimmed for high lights if not interested in its sources. His

two interacting factions are the Generalist and the Technocrats, and he explains well how they are formed, their self interests strengths and weaknesses, and integrates what each group desires with the causal effects of inflation and its retrenchment; an ingenious key to the personality conflicts of the period. The leading actors are the factional patrons that struggle to maximize their power: Deng, Chen Yun, Zhou Ziyang, Li Peng, Yao Yilin, Hu Yaoban, Jiang Zemin, Zhu Rongji, Hu Jintao and Wen Jiabao. Sprinkled along the way are persistent economic problems that never are resolved because of over riding political battles. Perhaps Xi Jinping's current drift toward political retrenchment can be seen as another Factional Conflict; in action where politics impact economic reforms, but this time without inflationary pressures. Professor Shih may have another work in progress; hope so. 1 of 1 people found the following review helpful. Mancur Olson would be proud. By Alex Turnbull. Factions and Finance is a fascinating bridge from understanding politics in China to understanding monetary and fiscal policy. The two could not be more closely linked in China as they are in most countries: ultimately, Central Bankers get appointed by politicians, have dual or convoluted mandates and tend to have a strong sense of where their bread is buttered. To that end they are pretty responsive to politics and Central Bank independence really depends upon the political pressure being manageable. This was a controversial idea when I was in university but its abundantly clear now with negative real rates in the US, troubles in Europe and the like. Vic Shih draws upon extensive work on factional allegiances and policies in China to explain the core dialectic of Chinese monetary and fiscal policy: local government leaders get promoted and occasionally paid for growth in their region and do not care about inflation or fiscal solvency that much. The central government and central bank does, and the fate of provincial mayors is not their concern. Factional allegiances are drawn up accordingly and the ebb and flow of these groups' priorities and patronage networks drive most of policy. Mancur Olson's Rise and Decline of Nations explains how interest groups ultimately become important, stagnate and then impair policy. I think there are lessons for this in China today and to get a full grip on them there really isn't anything else out there as good as this book. 0 of 0 people found the following review helpful. Do you want to know how the struggle for power works in China? By Sergio O. Parreiras. I always wondered how political competition in China worked. This is a terrific book, I mean it is the only book that comes closer to explain how the Chinese elites compete for power. It is game-theory without models. Very insightful!

The contemporary Chinese financial system encapsulates two possible futures for China's economy. On the one hand, extremely rapid financial deepening accompanied by relatively stable prices are both manifestations of a vigorous growth trajectory that will one day make China the world's largest economy. On the other hand, the colossal store of non-performing loans in the banking sector augurs a troubling future. Factions and Finance in China inquires how elite factional politics has given rise to both of these outcomes since the reform in 1978. The competition between generalists in the Chinese Communist Party and politically engaged technocrats over monetary policies has time and time again prevented inflation from spinning out of control. Shih shows that elite politics has exerted a profound impact on monetary policies and banking institutions in contemporary China.

"This impressive new book makes several important contributions: the case studies provide never before available accounts of elite politics, with vivid details of the personal and political differences among top leaders; the model of inflationary cycles provides new insights into how financial policy changed to cool an over-heating economy. It is both a fascinating portrait of elite politics in China and a rigorous test of an analytical model. Most scholars are good at one approach or the other. Shih shows he is equally gifted at both." Bruce Dickson, George Washington University "Shih offers a political-economic explanation of a dual feature of the post-reform Chinese financial system- an inflationary cycle and a large amount of non-performing loans. This book will make a valuable contribution to understanding the Chinese financial system and the reasons for the lack of reform thereof." Chung Lee, University of Hawaii at Manoa "In this forthcoming book, Northwestern University Professor Victor Shih presents a compelling alternate framework for a key slice of Chinese politics-economic and financial policy making. He argues that rather than a duel between conservatives and reformists, Chinese policy making represents a series of compromises between a "generalist" faction that derives support from local provincial authorities vying with a "technocrat" faction supported by central government bureaucrats seeking to consolidate control in Beijing... Prof. Shih presents a statistical model that aims to prove his theory, but the book comes to life when he launches into a narrative depicting the post-1978 struggles among China's political elite... As China's role in buoying the global economy continues to deepen, building a proper framework for understanding that push and pull in elite politics- and using those tools to foresee possible outcomes of Chinese policy becomes essential. Prof. Shih's work makes an important contribution to that effort." Rick Carew, Dow Jones Newswires, Far Eastern Economic "Shih's elegant factional model provides a novel explanation for the monetary and policy fluctuations under Deng Xiaoping and Jiang Zemin... Factions and Finance in China offers an invaluable window into the workings of elite politics in a regime better known for its opacity, and will soon become a staple in literature on China's contemporary political economy." Kellee S. Tsai, Johns Hopkins University, Perspectives on Politics About the Author Victor C. Shih is a political economist specializing in China at Northwestern University. Born in Hong Kong, Professor Shih immigrated to the United States at the age of 12. He attended the

George Washington University on a University Presidential Fellowship and graduated summa cum laude in East Asian Studies with a minor in Economics. He went on to complete his M.A. and Ph.D. in Government at Harvard University. He is the author of numerous articles appearing in academic and business journals, including *The China Quarterly* and *The Far Eastern Economic*, and advises the private sector on the banking industry in China. His current research concerns the political economy of fiscal transfers in China and Chinese policies toward ethnic minorities.