

# Book Review

Pei, Minxin. *China's Crony Capitalism: The Dynamics of Regime Decay*. Cambridge: Harvard University Press, 2016, 376 pp., ISBN: 9780674737297 (hardcover)

In *China's Crony Capitalism: The Dynamics of Regime Decay*, political scientist and veteran China watcher Minxin Pei argues that partial privatization coupled with the decentralization of administrative authority has created the conditions for crony capitalism in post-Tiananmen China. The former refers to a partial property rights reform that has created a market for "use rights" of public property, without adequately clarifying the ownership of those assets. The latter refers to the decentralization of the control and disposal of public property. These reforms have generated hitherto unavailable opportunities for "political and economic elites" to obtain public assets at heavily discounted prices. Yet due to the vague ownership of these assets elites are forced to collude in order to overcome mutual vetoes and allow the joint looting of the property. Moreover, elite collusion would not have been possible without the decentralization of cadre management. This, Pei explains, has enabled local party bosses to recruit new loyalists into their collusive networks.

The book's seven chapters deal with different aspects of China's crony capitalism. The first two chapters trace the genesis and evolution of elite collusion in China by observing key institutional changes in the reform-era. Chapters 3 to 6 discuss various forms of elite collusion. In Chapter 7, Pei demonstrates the extent to which collusion has penetrated and corrupted key state institutions, including the courts and regulatory bodies. In the conclusion, Pei offers an alarming assessment of

the state of China's communist regime, giving plenty of reasons for concern – both for China's leaders and those hoping for a gradual, peaceful democratic transition. Elite collusion, he argues, "produces a self-destructive dynamic inside the Leninist regime that will almost certainly accelerate its demise" (p. 261). Moreover, in the case of a regime collapse followed by a democratic transition, surviving collusive alliances could seize control over valuable state-owned assets and undermine the democratic consolidation process. China, he warns, could become a new Russia or Ukraine.

*China's Crony Capitalism* echoes the pessimism expressed in Pei's previous work. In *China's Trapped Transition*, Pei argued that China had found itself "trapped" in a stage of incomplete reform, whereby partially reformed political and economic institutions were used mainly to serve the interests of a predatory ruling elite. In that book, the analytical focus was on the pervasive patronage networks at the centre of China's political system, and how the CCP relies on rents from vital sectors to co-opt key societal groups. Meaningful reform in those sectors was highly unlikely, Pei found, as it would entail the loss of patronage power on which the CCP relies for survival. In *China's Crony Capitalism*, Pei is equally sceptical towards the CCP's capacity to reform itself: the CCP is unlikely to reform its crony capitalist institutions since they are "the very foundations of the regime's monopoly of power" (p. 267).

Hence, a pervading theme throughout Pei's books has been the inherent limitations of China's

Leninist regime to adapt and tackle the many challenges brought about by economic and social modernization. In championing this view, Pei has demonstrated admirable academic courage and foresight over the years. When *China's Trapped Transition* was published back in 2006, the view that institutionalization had somehow made the Chinese regime more stable and even "resilient" was still widely held among China watchers. Since then, however, the field has gradually moved closer to Pei. The fact that Pei's views have remained consistent over the years whereas the rest of the field has moved closer to him testifies to the quality of his scholarship.

Is Pei's pessimism about China's future warranted, or does it represent wishful thinking by a scholar who is deeply dissatisfied with China's current political and social order? To dispel potential accusations of bias or excessive scepticism, the author cleverly begins each chapter of the book with a quote by CCP General Secretary Xi Jinping, which basically confirms the thesis of that chapter. The fact that Pei's concerns are shared by China's paramount leader lends further credibility to his claims.

Pei's research is based on an analysis of 260 cases of collusive corruption found in Chinese newspapers, official press releases, court documents, government documents, and other publicly available sources of information. The documents are filled with juicy details on corruption cases which make for highly entertaining reading. Yet one wonders whether we can trust all the details concerning collusive corruption contained in such documents. China ranks poorly in terms of rule of law and press freedom internationally (in 2016, the Reporters Without Borders World Press Freedom Index ranks China 176 out of 180 countries, and the World Justice Project Rule of Law Index ranks China 80 out of 113 countries). Could political motivations have compromised the accuracy of some of the reporting? Since one of the supposed benefits of the author's approach is to shed light on the micro-level dynamics of elite collusion it is important that we can put a high level of trust in details revealed in the

documents. Pei devotes a section to the discussion of methodological challenges, but, apart from briefly mentioning that his cases have been covered in official media and "highly respected publications" (p. 14), does not address the trustworthiness of the documents on which he bases his analysis.

This is a minor issue in an otherwise outstanding work. *China's Crony Capitalism* is a must-read for anyone who wishes to understand the micro-level dynamics behind China's economic model and the potential impact of these on China's future political trajectory. It is a valuable contribution both to the China studies field and as a case study of crony capitalism.

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