

The Brutal Politics of China's Economic Overhaul: What Xi Can Learn from FDR

The economic and governance challenges facing China are well known. Economic growth has slowed from the dramatic double-digit increases of the past three decades to levels below seven percent. Debt levels reached 250 percent of national GDP in 2015, and could climb to 283 percent by 2020.¹ A 2016 IMF report warned that China's high corporate debt levels raised the risk of a "disorderly deleveraging."² The country also faces entrenched problems of rampant corruption, widespread government malfeasance, the effects of a heavily polluted environment, and a deeply inadequate social welfare system.

To tackle these problems, China's leaders have proposed an extensive array of structural and systemic reforms while upholding single-party rule. In 2013, the Chinese Communist Party (CCP) leadership announced ambitions to establish a fairer rule of law, curb corruption, redress environmental damage, expand social welfare benefits, and strengthen market institutions. At the same time, the Chinese Communist Party has firmly rejected political reforms that might significantly weaken its grip on power. Indeed, the moves to carry out a reform agenda have coincided with a considerable increase in repressive policies.³

Western opinion remains divided on whether China can realize its economic ambitions without substantial political liberalization. A minority view supports Beijing's approach. Prominent in the group are international financial organizations like the International Monetary Fund (IMF) as well as business and

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financial experts. In a 2016 report, IMF officials endorsed Beijing's approach, concluding reforms across a spectrum of key areas had "advanced impressively."⁴ A 2013 commentary in *Bloomberg News* similarly described the agenda outlined at the Third Plenum of the 18th Party Congress—a key annual meeting of the Central Committee that sets the direction of national policy—as "hitting all the right reformist notes."⁵ Financial analyst Michael Pettis stated in 2014 that he remained "cautiously optimistic" that Beijing "knows what it must do and will be able to pull it off."⁶ These observers may approve of the reform agenda announced by Beijing, but as a group they express disappointment about the lack of progress in implementation. Echoing a commonly held view, a 2016 article in *The Economist* noted grimly, "hopes are fading that a big reformist push will ever materialize."⁷ Even the IMF has acknowledged that progress toward reform has been "uneven."⁸

The majority of Western observers regard economic reform as futile without political liberalization. This group features many political scientists and China experts. David Shambaugh has argued, "Only a substantial political liberalization will afford China a good chance of not becoming indefinitely bogged down." He urged a "loosening and liberalizing" of the way the party-state "approached the media, non-governmental organizations, intellectuals, education, dissent, social discourse, and other aspects of civic life."⁹ David Lampton has urged China to return to a path of "incremental moves in the reformist direction characteristic of the preceding three-plus largely successful decades under [Xi Jinping's] predecessors."¹⁰ Susan Shirk similarly expressed disappointment that Xi Jinping failed to follow a "modernization" pattern in which authoritarian regimes "move from strongman dictatorial rule to [a] collective leadership" that is "more rule-bound" and "more institutionalized."¹¹

The Brutal Politics of Economic Transformation

Both groups of observers greatly underestimate the intensity of political conflict that attends any economic reform of the scale and scope sought by Beijing. With a few notable exceptions, the primarily business and financial analysts who express disappointment at the slow pace of reforms do not discuss how political opposition may impede the progress of economic reform.¹² Advocates of political liberalization, by contrast, do not explain how loosening control would incentivize powerful, recalcitrant opponents to yield to Beijing's prerogatives. Weaker central government control could, after all, result in stalled reform and political instability if threatened elites rally to defy central leaders.

A more accurate assessment of China's economic and political prospects should begin by recognizing the immense challenge posed by elite opposition to reform. Political scientists have begun to document how political opposition and conflict

can determine whether a country succeeds or fails to carry out major economic changes.¹³ Perhaps the most significant contribution to the study of economic transformation by scholars Daron Acemoglu and James A. Robinson has been the insight that dramatic change in a country's mode of economic growth is always an intensely contentious process due to the clash of wills between those who seek expanded opportunities for rising social groups and those who feel threatened by the same changes—usually political elites who benefit from existing arrangements. Political elites, the authors point out, often block beneficial economic and institutional change due to fears that such changes will destabilize the existing system and increase the likelihood of losing political power and future rents. Elites resist innovation, in other words, not because their economic interests are adversely affected by proposed economic changes, but because their political power and social status is threatened.¹⁴

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For any country, therefore, political arrangements must deal with the loss of rents among elites if major liberalizing reforms are to succeed. Surveying the experience of numerous countries that have attempted such changes, Acemoglu and Robinson noted a desultory pattern in which efforts to build inclusive institutions frequently foundered on the strength of opposition by powerful elites. In a 2002 study, they identified only two types of political arrangements that correlated with success. In the first, elites were “subject to competition.” In this situation, intense political competition for resources incentivized rent-seeking elites to adopt innovative changes. This arrangement has generally suited liberal democracies which already have competitive political institutions. In the latter, elites who were “highly entrenched” were willing to adopt innovative reforms because they did not fear losing political power. This strategy worked for countries with authoritarian political systems featuring a high degree of centralized control. The least successful arrangement, the authors noted grimly, was one in which rent-seeking elites were insecure. Characteristic of many rapidly developing countries that feature weak institutions and unstable politics, elites in this situation block innovative changes due to the fear that successful reform will cause them to lose political power and income.¹⁵

Applied to China, these insights help illuminate the real source of threat for Beijing. For leaders determined to realize the nation's revitalization as a great power, it is not the creation of institutions or the granting of more personal freedoms that stirs fear. The past two decades have shown that Beijing can innovate techniques for social control to accommodate a growing economy.¹⁶ The real nightmare for central authorities rests in the age-old specter of political conflict among the

nation's elites. Despite appearances, after all, the party's elites are best described in the language of Robinson and Acemoglu as somewhere between "entrenched but secure" and entrenched but "insecure."¹⁷ The CCP may be politically supreme as an organization in Chinese society, but the position of many of its members remains far from secure. The patronage networks that once enabled rapid growth have yielded a crop of rent-seeking elites who stand to lose tremendously in a revamped economy. Central authorities have increasingly vilified these individuals as "vested interests" that must be overcome if the nation is to prosper.¹⁸ Accordingly, one can expect many of these rent-seeking elites to resist changes that undercut their status, position, and personal safety. Unless Chinese leaders can compel rent-seeking elites to comply with reforms, prospects for the nation will remain dim.

Western China watchers, well versed in the violent history of the CCP, understand the perils of factional infighting and political instability. Fear of a return to this path informs the harsh criticism of Xi's divisive leadership. It also underpins the Western advocacy of a path of stable liberalization. But if Western observers have cause to fear the effects of political infighting, the CCP has far more reason to fear this possibility. Chinese leaders live with the legacy of the party's violent history of political struggles and the wounds they inflicted on the CCP's legitimacy and social order. The lesson is further reinforced by the fact that many older party leaders, including Xi Jinping, personally experienced the trauma of Mao-era political struggles that threatened to rip the country to pieces. Thus, the oft-encountered recommendation in Western commentaries that Beijing "return" to a path of incremental reform is perplexing because the generally cautious, risk-averse CCP leadership hardly needs persuading—if a path of low-risk, incremental change is truly viable.

Why then have Chinese leaders rejected their predilection for caution in favor of

The coercive, divisive politics of Xi Jinping represents a desperate and reluctant last resort.

a more risky, confrontational style of politics? The simplest and most logical explanation is that Beijing has chosen this approach because the easier, less risky path has proven ineffective. In fact, a closer look at Chinese politics in the years preceding Xi Jinping's tenure shows this to be the case. The turn to the coercive, divisive politics of Xi Jinping represents not an abrupt, eager embrace of neo-Maoist tendencies, but a desperate and reluctant turn to a last resort after preferred options had been exhausted

during the Hu Jintao era. Nor is this trajectory unique. Intriguing parallels can be found in the experience of another country that carried out a similar drastic economic transformation—the United States in the 1930s.

Contemporary China and 1930s America

The United States has been gifted with many advantages, including a wealth of resources, a stable political system, and a favorable geopolitical environment. But finding ways to unlock the industrious and creative energies of its entire people has historically proven a highly contentious process. As in every other country, privileged Americans have at times resisted changes that threatened their power and status, even when those changes promised to unlock opportunities for many of their fellow citizens.

One such episode in U.S. history, during the 1930s, is particularly relevant for comparison with China today for three reasons. First, in both the 1930s United States and contemporary China, the prospect for political conflict increased significantly when the needs of a powerful, rent-seeking elite began to diverge from that of the nation. Second, leaders in both nations initially responded to the frightening prospect of political conflict by adopting options that sought to realize national goals without antagonizing those elites. Third, once the failure of this approach became undeniable, new leaders arose in both countries and adopted aggressive confrontational politics that directly attacked the elites.

In both countries, aggressive leaders pursued strategies that centralized and expanded national government power, mobilized the public behind a populist agenda, and coerced recalcitrant elites. These measures engendered intense political strife that lasted many years in each country and saw the violation of numerous established norms and institutions. In the case of the United States, however, a successful transformation established the foundations for unprecedented prosperity and national power. The same promise provides a powerful incentive for China to seek the same.

Context: Divergence Between National and Elite Interests

The structure of the U.S. economy in the 1920s and China in the 2000s shared several similar features. In the 1920s, the United States, a global export powerhouse, frequently ran a trade surplus with its partners. However, the 1929 stock market crash exposed structural problems that lay beneath the veneer of soaring prosperity in the 1920s.¹⁹ The structural problems centered on the fact that the U.S. economy was producing more than the world could absorb.²⁰ China in the 2000s similarly earned the title of “factory of the world” as a global export powerhouse. It also frequently ran a trade surplus with its partners, but its reliance on manufacturing and exports proved no more sustainable than in the 1920s U.S. case. Chinese production of manufactured goods eventually outpaced world demand, a problem exacerbated by the global financial crisis in 2008.

In both cases, the economic imbalance was accompanied by intensifying political and economic inequality as well as corruption as rent-seeking elites captured a larger share of income, despite rising productivity. U.S. inequality reached a then-

unprecedented high in 1928, when the top 1 percent of families earned 24 percent of all income.²¹ The United States in the 1920s earned a reputation for excess, corruption, and the dominance of cronyistic elites. In China, imbalanced economic growth has exacerbated problems of social inequality, corruption, and environmental decay. By 2010, China's Gini co-efficient, a measure of inequality, had reached 0.50, surpassing the 0.40 mark widely regarded as a "warning level" for potentially destabilizing inequality.²² China in the 2000s also earned a reputation for corruption and the dominance of cronyistic elites (e.g., "princelings"). The CCP Central Committee's 18th National Congress report, a high-level document that provides authoritative guidance for policy, warned in 2012 that a failure to curb corruption could prove "fatal" to the party.²³

As the needs of a country suffering from deep economic imbalance diverged from those of its elites, national leaders in both countries faced a painful conundrum. On one hand, they could choose near-term political stability by placating the rent-seeking elites, but at the cost of deterioration in the nation's long-term prospects. Alternatively, they could attempt to redress the nation's economic needs, but at the cost of exacerbating instability by antagonizing those elites.

Initial Response: Avoid Antagonizing Elites

Faced with two unappetizing options, national leaders in both cases initially opted for the politically appealing, but fundamentally unworkable, option of redressing the

As the crisis deepened, Hoover adopted an incremental approach he dubbed "volunteerism."

nation's economic imbalances by placating the elites. The crux of the approach in both cases centered on efforts to coax respective rent-seeking elites into voluntarily supporting policies that eliminated their privileges and set the economy on a sustainable basis. In the United States, national leaders manifested this tendency through a mixture of passivity and efforts to encourage voluntary sacrifice. President Herbert Hoover initially responded to the stock market crash of 1929 with inaction, per the recommendation of his Treasury Secretary Andrew Mellon,

a representative of the industrial titans who held such sway in the U.S. economy.

But as the crisis deepened, Hoover adopted an incremental, reformist approach that sought to enlist the cooperation of relevant elites, an approach he dubbed "volunteerism." Starting in late 1929, Hoover organized a series of conferences that drew together representatives from business, labor, and government. In the meetings, he sought to convince powerful elites to adopt policies that may have injured their own interests, but could help ease the nation's crisis, such as

raising wages in their companies or hiring more people to reduce unemployment. Volunteerism quickly collapsed, however, as powerful actors abandoned their pledges in favor of actions to protect their interests. The economy worsened and Hoover lost re-election in 1932 to Franklin Delano Roosevelt.²⁴

In China, authorities recognized the dangers of economic imbalance as early as 2003. And yet, over the ensuing decade, leaders made little progress against the nation's most pressing problems.²⁵ As in the U.S. example, Hu Jintao (who, curiously, shared Hoover's background as an engineer) pursued policies that he hoped would correct the nation's economic imbalances in a manner that avoided antagonizing elites. In a Leninist twist on Hoover's "volunteerist" approach, Hu oversaw extensive efforts to raise awareness and enlist the cooperation of elites in redressing the nation's problems. He initiated Politburo Study Sessions at which senior leaders discussed in detail the nation's ills and issued repeated proclamations for action. He directed various "study" campaigns, such as the "Advanced Nature campaign" in the mid-2000s to raise awareness among cadres and urge them to enact policies to address the problems. He instituted annual training events for ministerial- and provincial-level officials in 2003 at which he incessantly emphasized the imperative to overcome the myriad problems of the nation. He even oversaw changes to evaluations for cadres that graded individuals by how much they implemented policies to further the goals of "scientific development" and curb undesirable policies.²⁶

However, the end result proved no more effective for Hu than it did for Hoover. Given the choice to support policies that would cost them dearly or continue policies that would maintain their standing to the detriment of the nation's prospects, the rent-seeking elites in both cases opted for the latter. Hu ended his tenure facing the scorn of many of his countrymen, who derided him for being a weak and ineffective leader and mourned his tenure as a "lost" decade.²⁷

Last Resort: The Turn towards Coercion

Xi Jinping and Franklin Roosevelt, both members of the strata of aristocratic families that dominated politics in their respective countries, ascended to power after evidence of a voluntary, cooperative approach to reform had clearly failed. The incoming leaders recognized that their fellow elites would not surrender their privileges voluntarily, and that coercion would be required. They regarded political conflict as thus unavoidable and accordingly pursued a strikingly aggressive political agenda. Their responses shared several features in common. Both leaders sought to: strengthen control over their respective political parties; concentrate power at

FDR's and Xi's responses shared at least four features in common.

the national level; mobilize the public behind a more populist economic agenda; and step up coercion of elites who opposed reform.

Strengthening personal political power

Within the Democratic Party, Roosevelt engendered considerable resentment by consolidating political power in his hands, strictly enforcing party discipline, and insisting on ideological discipline. In 1938, he carried out an extensive purge of the party of conservative elements that opposed his reform agenda.²⁸ Similarly, Xi Jinping astonished observers with his aggressive moves to strengthen his grip of the CCP and centralize power. Whatever its ostensible purpose, the anti-corruption campaign has provided Xi an opportunity to carry out a sweeping purge of the party. The revival of the honorific label “core” of the leadership, last conferred on Jiang Zemin, similarly fits a pattern of strengthened control over the party.²⁹

Concentrating national government power

Roosevelt expanded the powers of the national government to an unprecedented degree. With enactment of the Executive Reorganization bill in 1939, FDR carried out the most sweeping changes to the executive branch since 1787.³⁰ Xi Jinping has also advanced policies that concentrated national power. Reversing trends toward collective decision-making, he has created powerful small groups to monitor ministries that have inhibited the development of more effective bureaucracies.³¹

Mobilizing the public

Both leaders pursued innovative media methods to mobilize the public behind a populist agenda that sought to expand opportunities and incomes for consumers. Roosevelt promoted a vision of economic Keynesianism that transferred resources to workers and consumers. In 1944, Roosevelt announced his “economic bill of rights” that included novel ideas such as the “right to a useful and remunerative job” and the “the right to adequate medical care.”³² Through his “fireside chats,” delivered to an audience via the new technology of radio, Roosevelt built a bond between himself and the public.

Xi Jinping’s vision of the “China Dream” seeks to both revitalize the nation and expand opportunities for average citizens. In official parlance, it “integrates national and personal aspirations.” Echoing Roosevelt’s “Economic Bill of Rights,” Chinese media has explained that the China Dream requires “safe food, decent housing, and personal security, and the expectations of life, such as quality education, modern healthcare, secure retirement, and proper protection of personal rights under the law.”³³ To mobilize support for this policy agenda, authorities have developed innovative media methods designed to foster the image of Xi as a “common man” and tap into mainstream media trends.³⁴

Extensive coverage of his personal life and activities has raised among critics the specter of a “cult of personality” in the manner of Mao Zedong.³⁵

Coercing elites

Roosevelt aggressively carried out a policy agenda premised on the transfer of resources away from elites and to workers and consumers. In his 1936 nomination acceptance speech, FDR decried “economic royalists.” He said, “Our allegiance to American institutions requires the overthrow of this kind of power.”³⁶ Roosevelt used the powers of the federal government to coerce elites and curb their power. Under Roosevelt, the FBI experienced a dramatic expansion of its powers, to include surveillance of domestic political opponents.³⁷ He established the Security Exchange Commission (SEC) to monitor the transactions of the wealthy elite. He drastically raised tax rates. In 1932, the year Roosevelt first won the presidency, the top marginal tax rate was 25 percent. By 1939, the first year of the European war, Roosevelt had hiked that rate to 79 percent, and during World War II he raised it further to 94 percent on all income over \$200,000. He also raised the top marginal corporate rate to 90 percent.³⁸

Xi Jinping has provoked considerable political conflict with powerful political and economic elites in his own country, mainly in the party and state sectors. He has carried out a vigorous denunciation of corrupt officials and prosecuted an aggressive anti-corruption campaign targeting thousands of officials.³⁹ Xi Jinping has imprisoned former Politburo members, such as former security czar Zhou Yongkang, and arrested former Central Military Commission (CMC) vice chairs Xu Caihou and Guo Boxiong. He has also overseen a crackdown on extravagant spending and issued regulations that ban the use of luxury cars, eliminate lavish gifts for government officials, and limit the scope of galas, official dinners, and special privileges that party cadres have long enjoyed.⁴⁰

Lessons for China Drawn from the U.S. Experience

Similarities between the U.S. experience in the 1930s and China's today carry several implications. First, one should expect China to take several years to carry out its economic reforms, owing to the difficulties inherent in balancing the management of elite resistance, maintaining overall stability, and implementing reforms. In the case of the United States, Roosevelt's leadership took well over ten years to overcome political resistance and overhaul the economy. Xi began in earnest in 2013, which suggests China's efforts could take many more years.

Second, China's political scene is likely headed for years of turmoil as central leaders struggle against powerful opponents located principally in large state-owned enterprises and among business-government elites at the local level. In

the United States, political adversaries on the left and right routinely accused President Roosevelt of seeking a “dictatorship.” In the face of enormous political resistance, Roosevelt’s agenda stalled in 1935 and he only finally overcame resistance through policies adopted to support the country’s entry into World War II. In

FDR’s leadership took over ten years to overcome political resistance and overhaul the economy.

China, successful reform will require a substantial transfer of resources from the state sector and loss of income, as well as power, on the part of powerful rent-seeking elites who have profited from decades of investment-led growth. Future economic growth and increasing standards of living will depend, in other words, on the Chinese leadership’s ability to weaken the power of elites within the ruling CCP in a manner that does not destabilize the entire political system. Extensive political turmoil should be expected. Already, targets

of the corruption probes have committed suicide in record numbers, and large numbers of officials have fled to other countries.⁴¹ Within party circles, some senior leaders have leveled harsh accusations against Xi Jinping for his authoritarian tendencies—accusations quickly silenced by party censors.⁴² Some media accounts have already reported rumors of coup plots aimed at Xi Jinping, although these claims are difficult to confirm.⁴³

Third, critical to the success of Xi’s strategy will be his cultivation of popular opinion and support from the military, as well as the ability to co-opt the leaders of powerful state-owned enterprises. Roosevelt built a robust coalition of political supporters rooted in the social groups that stood to gain from the Keynesian policies. Xi Jinping similarly has a natural base of support among Chinese workers and consumers, which could see major gains in income if the efforts to balance the economy succeed. Not by coincidence, official media has sought to cultivate Xi’s image as a “man of the people”—an effort well embodied by his visit to a humble dumpling shop in 2013.⁴⁴ To bolster his hand against political adversaries, however, Xi will also need to cement the allegiance of other important social groups, including the military—the ultimate backstop to the party’s power. Finding ways to co-opt the state owned enterprises and curb their unproductive practices will also be critical to ensuring reform in a stable manner.

Fourth, Xi Jinping’s coercive politics may result in the short-term violation of long established norms and breakdown of some institutions, but it is possible that some of these may be rehabilitated in the longer term. In battling political opponents, Roosevelt broke long-established political norms and conventions

with actions such as the pursuit of an expanded Supreme Court. Some of the efforts failed, but Roosevelt did succeed in becoming elected for a third term, the only president in U.S. history to do so. However, once U.S. leaders succeeded in putting the nation on a sounder economic footing, they restored or strengthened some of the same norms and institutions. For example, in 1951 Congress ratified the 22nd amendment, forbidding a third term to any president.

Although it is too early to say for sure, China could follow a similar path. Currently, Xi Jinping has justified the violation of norms and rollback of institutions by invoking the gravity of the country's economic position and problems of bureaucratic resistance and inertia. Violations of political norms include the prosecution of former Politburo Standing Committee members and the turn away from collective decision-making. If Chinese leaders succeed in putting the economy on a sustainable path, however, they could choose to restore some of the norms or entrench new ones.

Despite the similarities, China's case obviously differs from that of the United States in important ways. One important difference is the huge advantage in robust institutions that the United States enjoyed as a liberal democracy when it began its economic transformation. The multi-party electoral system permitted Roosevelt to build within the Democratic Party a supporting coalition of laborers, consumers, southerners, and farmers. He used this broad-based coalition to advance his agenda and pressure the financial elites who led the Republican Party at that time. This proved such a powerful resource that the "Roosevelt coalition" dominated U.S. politics for decades and propelled succeeding Democratic presidents to power. In China, by contrast, a single-party system has meant that China's leadership must build a coalition of support within the same party that hosts its most vigorous opponents of reform. The nature of the Leninist political system compels Xi to draw from the same traditions and tools to mobilize the masses and confront powerful elites as his predecessor Mao Zedong did, inviting confusion and fear. Moreover, the weak foundations of Chinese institutions and the CCP's own history of savage violence increase the likelihood that it will rely on far more repressive and brutal measures than the United States. These legacies also provide reason to doubt how many of Chinese norms and institutions will be restored, even if Beijing succeeds in transforming the economy.

The difference in institutional structures also leads to a second, striking difference—namely, China's far greater reluctance to adopt confrontational politics. FDR drove policy in a radically different direction a mere three years after national leaders admitted that the Great Depression exposed serious problems in the nation's economy. In China's case, leaders recognized the problem in 2003, but they persisted in trying an incremental, non-confrontational path for nearly ten years before giving up. This delay likely reflected the immense fear Chinese

authorities had of political conflict and the lengths to which they were willing to go to avoid the path eventually taken by Xi.

Elite Conflict and China's Prospects

The advocacy for incremental liberalization in China, favored by Western commentators, not-so-subtly suggests that the only way China could grow wealthy and powerful is if it develops in a manner in which its own values and institutions converge with that of the United States. If China's leaders would only follow a path of incremental liberalization, observers imply, Beijing could realize peace and prosperity in a stable manner which actually would reduce the risk of a polarizing, unstable international competition with the United States.

James Fallows has outlined "assumptions" common among China watchers that presumed "year by year, the distance between practices in China and those in other developed countries would shrink, and China would become easier rather than harder to deal with."⁴⁵ For these experts, the prescription seems so compelling and obviously appealing, that rejection of it seems misguided at best and malevolent at worst. Not surprisingly, many China watchers regard the country's rejection of political liberalization as auguring ill for its economic hopes. Carl Minzer has suggested that the "reform era is now over."⁴⁶ Minxin Pei sees in Xi's policies the "beginning of the end" for China.⁴⁷ David Shambaugh has joined long-standing pessimists like Gordon Chang in anticipating a "coming crack up."⁴⁸

However, the disappointment expressed regarding the savage evolution of Chinese politics too often fails to acknowledge the reality that political conflict inherently accompanies any nation's attempt at economic transformation. If U.S. leaders—with all the political advantages offered by liberal democratic institutions—felt compelled to centralize power, violate political norms, and coerce elites in the 1930s, it is difficult to imagine how China—with the disadvantages of much weaker institutions, a legacy of bloody political conflict, and an antiquated political system defined by Leninist principles—could have resisted following similar impulses. In retrospect, it was extremely unrealistic to expect Xi to carry on the same politics as his predecessor, as this would imply that he could not observe the rather obvious fact that Hu's approach had failed. The more reasonable expectation should have been that Hu's failure would leave his successor no other choice but to consider riskier, more violent options to achieve the same goals of economic overhaul.

The judgment that China's reform era is now "over" seems premature. If Xi succeeds in overcoming the vested interests that oppose reform, China could pursue higher-end, sustainable growth and greater national power. Xi Jinping will have

overseen a dramatic transformation of the country's economic and political institutions as well as reconfigured politics in a lasting manner evocative of FDR's impact. Xi's success is hardly assured, however. The low success rate of countries in overpowering elite resistance and building the institutions to enable higher-end growth provides ample reason for pessimism. With debt compounding at an alarming rate, China may not be able to afford the ten years or so it took the United States to carry out its own transformation. Failure to overcome the political opposition remains a real risk, as is the possibility of the country's degeneration into factional fighting and conflict. Xi Jinping will need to become a transformative figure in Chinese politics—or he will be remembered for his failure to become one.

The country's degeneration into factional fighting and conflict remains a real risk.

Notes

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