

China's Crony Capitalism: The Dynamics of Regime Decay. *By Minxin Pei*. Cambridge, Mass.: Harvard University Press, 2016. 376 pp. Tables, appendix, notes, index. Cloth, \$35.00. ISBN: 978-0-674-73729-7.

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At the time of Mao Zedong's death in September 1976, few could have predicted that the Chinese Communist Party (CCP) would one day preside over the world's second-largest capitalist economy. A failed experiment with socialist transformation—three decades of violent political struggle and economic mismanagement—had eroded the legitimacy of the regime and left China a poor and unstable nation-state. But in the early 1980s, under the leadership of Deng Xiaoping, the CCP set a new course. Political ideology was abandoned in favor of pragmatism. Entrepreneurial energies were unleashed from their institutional constraints. The Chinese economy began to grow at a remarkable pace and ascend to new heights. Yet the crisis of legitimacy remained unsolved. How could the socialist regime, which had abandoned its founding principles and embraced economic liberalization, maintain its monopoly of political power? According to political scientist Minxin Pei, the CCP struck a Faustian bargain with China's political, economic, and criminal elites: in exchange for their loyalty, elites would be allowed to monopolize state assets and wealth-creation opportunities.

In his latest book, *China's Crony Capitalism*, Pei explores the dynamics of regime decay in the People's Republic of China. Challenging theories of China's authoritarian resilience, he argues that the contemporary Chinese state is not as stable as it seems. Beneath its dazzling veneer of economic growth is an "incipient kleptocracy, characterized by endemic corruption, soaring income inequality, and growing social tensions" (p. 1). Through an analysis of 260 public corruption cases, Pei shows that the contagion of corruption has spread throughout China's public sector, permeating even the military and intelligence agencies (p. 266). This, he argues, has not only created a severe drag on the economy, but has gradually "destroyed the organizational and normative fabric of the state" (p. 9). While Pei stops just short of predicting the imminent collapse of the CCP, he argues that all the signs indicate that the Chinese state is now a "Leninist regime in late-stage decay" (p. 1).

The historical origins of collusive corruption trace back to the mid-1980s, when the CCP began the twin projects of economic liberalization and administrative decentralization. As the public sector was privatized, incomplete and incremental market reforms created an environment of ill-defined and highly contested property rights. Within such an

environment, especially in areas such as mining and real estate, political elites began using their positions within the party to transfer ownership of land and resources at heavily discounted prices, thus reaping windfall profits. At the same time, local officials gained increasing autonomy over cadre management. Many used their authority to place loyal lieutenants in key positions of power and build personal networks of collusion. As these networks grew in power and competed over finite public resources, they weakened internal party unity and undermined the effectiveness of the central security apparatus. All the while, the CCP was unable to stop the rot. Because the institutions that enable corruption are the very basis of the regime's monopoly of power, the party dare not change them, as "even modest reform efforts could unleash a revolution" (p. 268).

While Pei's book offers fascinating insights into the mechanisms of corruption in China, his conclusions about the fragility of the current regime stretch beyond the reasonable limits of the evidence presented. The lynchpin to Pei's claim are a set of two interrelated premises: that collusive corruption among Chinese elites will necessarily result in an increasingly unequal and stagnant economy; and that slowed economic growth and rising income inequality will breed social discontentment. Both conjectures remain the subject of much debate. Mainland scholars, such as the economist Huang Shaoqing (*经济转轨中的合同执行*. 上海: 上海远东出版 [2012]), have argued that within China's authoritarian system, collusion among party members actually facilitated local development and interregional trade; when officials were transferred to new posts, they became points of contact between local networks, thus acting as nodes for establishing new economic ties between different regions. American sociologists such as Martin K. Whyte (*Myth of the Social Volcano* [2010]) have also convincingly shown that even while Chinese elites have grown much wealthier than the rest of society, there is no indication as of yet that income inequality has translated into societal discontentment.

Pei's assessment may well be right: the Chinese state may be teetering on the precipice of a political revolution. Yet, so far, history has been unkind to the prophets of the CCP's fall. Past experience has proven that the party has an uncanny knack for maintaining its power. The People's Republic of China survived a series of monumental revolutions—the failed experiment with economic socialism, the political chaos of the Cultural Revolution, the wholesale reformation of the economy in the early 1980s, and the short-lived political revolution of 1989—any one of which would have spelled the end for most regimes. If anything, the CPP seems far more stable today than it did in 1978 or 1989. Even while the party confronts a host of major economic, political, and environmental challenges, its security is augmented by remarkably effective systems of

control. A sophisticated censorship apparatus now limits access to information on the Internet. Chinese social media makes it all but impossible for political dissidents to generate collective action. Even academic institutions have recently come under pressure to tow the party line. Perhaps the rot of corruption will undermine these systems to the point that it is possible for political change to come from outside the party. Or perhaps the CCP will once again transform itself and preserve its monopoly on power.

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