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Party Watch Annual Report 2019  
Scrambling to Achieve a Moderately Prosperous  
Society

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## About the Editor

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# From High-Quality Growth to “Holding the Bottom-line”: The Evolution of Elite Economic Priorities in the CCP since the 19<sup>th</sup> Party Congress

Victor Shih

During its late-2017 19<sup>th</sup> Party Congress, the Chinese Communist Party (CCP) had wanted to focus on laying the medium-term foundation for a “new era” of socialism with Chinese characteristics, including de-leveraging, providing an even playing field to private companies, and SOE reform. This was a reasonable focus because at the end of 2017, China was making good progress toward meeting the first of the “two centenary” goals, namely, to double China’s GDP between 2010 and 2020. Indeed, by the end of 2017, China’s nominal GDP had already doubled from 41 trillion RMB at the end of 2010 to 82 trillion RMB. However, as the trade conflict with the US escalated and China’s economy slowed, Xi Jinping himself began to put greater emphasis on growth maintenance and overall stability. In examining the text of the press releases for various types of central policy meetings involving either all or a plurality of Politburo members, it becomes apparent that the Party has shifted gears toward ensuring growth and preventing financial instability, neglecting market and state-owned enterprise (SOE) reform in relative terms. This suggests that policy-making at the highest level is much more reactive to external shocks and less consistent than might be suggested by the plethora of plans and long-term strategic documents issued by the CCP. Escalating tension with the US and turmoil in Hong Kong may detract the leadership from other long-term policy objectives. Also, the renewed focus on growth in 2018 suggests that although the “two centenaries” objectives were meant to motivate China’s bureaucrats, the real underlying policy objective is persistent growth of above 6%, regardless of whether centenary objectives had been met already.

## The 19<sup>th</sup> Party Congress Economic Agenda

To be sure, the thrust of the 19th Party Congress was consolidating Xi Jinping’s ideological and constitutional control over the Party. However, a comprehensive economic agenda also was put forth, as stated in Xi’s political report.<sup>28</sup> Continuing themes proposed at the Third Plenum of the 18<sup>th</sup> Central Committee, the 19<sup>th</sup> Party Congress political report called for, “effective incentivization of property rights, free movement of factors, flexible movement of prices, and orderly and fair competition....”<sup>29</sup> This wording suggests the potential for wide-ranging legal and administrative reform to strengthen property rights, lessen the rural-urban divide, and diminish the

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<sup>28</sup> Xi Jinping, “Achieving Victory over Comprehensively Building a Prosperous Society, Seizing Great Victory over Socialism with Chinese Characteristics in the New Era” [决胜全面建成小康社会夺取新时代中国特色社会主义伟大胜利], Report before the 19th Session of the Chinese Communist Party, October 18, 2017, [http://www.xinhuanet.com/politics/19cpnc/2017-10/27/c\\_1121867529.htm](http://www.xinhuanet.com/politics/19cpnc/2017-10/27/c_1121867529.htm).

<sup>29</sup> Ibid.

role of the state in setting prices. The political report, delivered by Xi himself, also suggests legal reform to protect the interests of private and foreign firms in the market, thus creating a more equal playing field for all firms.

On the topic of SOE reform, the 19<sup>th</sup> Party Congress report likewise hinted at an ambitious reform agenda of “perfecting the management system of all types of state assets, reforming the entrusted management of state capital, and speeding up the improvement in the deployment of state capital...”<sup>30</sup> Again, although vaguely worded, if the Party had chosen to pursue this agenda, it could have led to the formation of highly professional state asset managers in the mold of Singapore’s Temasek and GIC. It also could have led to a strategic withdrawal of SOEs from additional sectors in China’s economy in favor of the private sector. As we will see, an examination of Politburo and Central Commission for Deepening Reform press releases suggests that few of these policies were actually considered in subsequent months, especially going into the second half of 2018.

At the same time, the 19<sup>th</sup> Party Congress political report paid less attention to growth per se than previous party congresses had done. To be sure, the report states that “...development resolutely must be the primary task of the Party’s effort to govern and to revitalize the country.”<sup>31</sup> However, in the “new era” that characterizes Xi Jinping’s personal ideology, “the main contradiction of our society has transformed into one between the ever increasing need for the good life and unequal and insufficient development.”<sup>32</sup> In other words, growth concerns needed to be balanced by the demand for the “good life” of better social services and a cleaner environment. As we will see, however, growth concerns will continue to be a high priority in subsequent elite policy discussions. The discussion on the financial sector focuses on improving banks’ ability to finance the “real economy” and on developing novel types of financial instruments to increase efficiency of the Chinese financial system. However, it was “hold the bottom-line of avoiding systemic risks” which would capture much of the elite discussion in subsequent years.<sup>33</sup>

### Elite Policy Discussions

In assessing whether the ruling CCP has pursued its economic policies as set forth at the 19<sup>th</sup> Party Congress, one can focus on economic outcomes. Yet, as we can see, tracking major outcome data series such as growth largely fails to capture the intentions of the policy makers or even the impact of policies over a relatively short period of time. Another approach would track elite discussion to discern policy intentions, which also would uncover elite policy priorities and their dynamic evolution over time.

As Figure 1 shows, it is not possible to discern any clear patterns after the 19<sup>th</sup> Party Congress in terms of both economic growth and loan growth. By and large, the Chinese government pursued

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<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

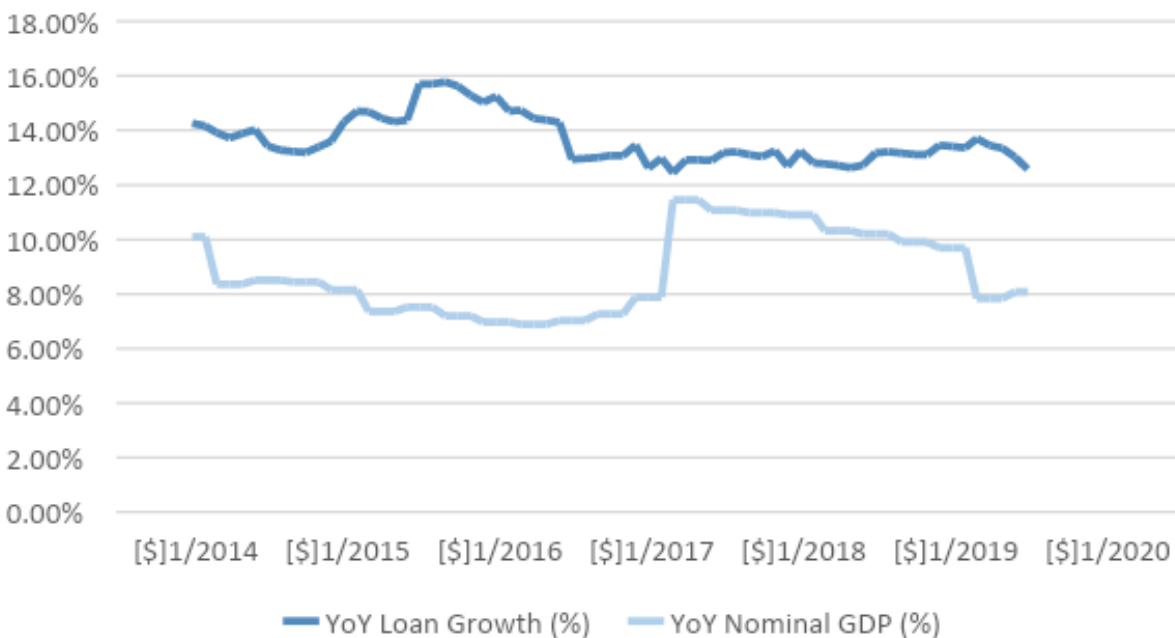
<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

gradual deceleration in the growth of credit, but steady economic growth. Although the data clearly do not suggest a massive stimulus to boost growth, it remains unclear whether the government has struggled to maintain the growth rate or whether growth continued to be a high policy priority. The steady growth rate that China has seen after the brief price-driven burst of early 2017 can either be the result of the government's benign neglect or its constant vigilance and interventions in the face of powerful forces to slow growth.

Similarly, credit growth has declined gradually in the past five years (Figure 1), but this occurred in the backdrop of already high debt levels, estimated to be 250-300% of GDP.<sup>34</sup> Thus, the relatively stable outcome may have hidden gigantic struggles behind-the-scenes to uphold growth and to prevent rapid deleveraging at the same time. Economic data alone cannot tell the full story.

Figure 1: Year-on-Year Growth in Lending and Quarterly Nominal GDP (%)



Source: CEIC

Instead of examining economic data, this paper focuses on elite economic policy discussion to discern both the content and the policy priorities in the economic arena over time. Because Chinese leaders often signal different messages to internal and external audiences, this paper only focuses on meetings discussing economic topics which involved either all or a large plurality of Politburo members and excluded the attendance of any foreigner. These meetings included Politburo meetings, Politburo study sessions, meetings of the Central Commission for Comprehensively Deepening Reform (Formerly Central Leading Group), meetings of the Central Finance and Economic Leading Group, the annual Central Economic Conference and the Central Agricultural Work Conference, and central leadership meetings with party and non-party elite. Politburo

<sup>34</sup> Victor Shih, "Financial Instability in China: Possible Pathways and Their Likelihood," Mercator Institute for China Studies, October 20, 2017, [https://www.merics.org/sites/default/files/2017-10/191017\\_merics\\_ChinaMonitor\\_42.pdf](https://www.merics.org/sites/default/files/2017-10/191017_merics_ChinaMonitor_42.pdf).

meetings, Politburo study sessions, and the national economic work conference were attended by all Politburo members. Meanwhile, the leading group (commission) meetings, as well as special central meetings with party or non-party elite were attended by Xi Jinping plus several Politburo or Politburo Standing Committee members.

The state media, including the Xinhua and *People's Daily* websites, have published the synopses and important speeches of most of these meetings, which describe some of the content of discussion. Because these meetings sought to convey to lower officials the “center’s spirit” (中央的精神), state media likely recorded the content of these meetings accurately, although at times being vague or striking out sensitive content altogether. For example, these reports often contained the wording “the meeting also discussed other matters,” which suggests the omission of sensitive matters from the synopsis. Because this paper focuses on economic issues, I assume that only a few topics under economic policy would be so sensitive that they would not be even vaguely mentioned in these press releases. As Table 1 shows, I divide the analysis into four periods, from the 19<sup>th</sup> Party Congress to the end of 2017, the first half of 2018, the second half of 2018, and the first half of 2019.

Table 1: The Number and Breakdown of High Level Meetings Discussing Economic Issues

	<b>4Q201</b>	<b>1H201</b>	<b>2H201</b>	<b>1H201</b>
Politburo	2	3	4	3
Study Sessions of the Politburo	1	0	3	2
Central Finance and Econ LG	0	1	2	1
Reform LG (Commission)	0	1	2	3
Central Economic Conference	1	0	1	0
Central Agriculture Conference	1	0	1	0
Meetings w/senior party and non-party elite	0	0	1	1
<b>Total</b>	<b>5</b>	<b>5</b>	<b>14</b>	<b>10</b>

To begin, Table 1 shows an extraordinary increase in high-level meetings on economic issues after the first half of 2018. To be sure, comparing the fourth quarter of 2017 and the second half of 2018 is rather unfair, but the tripling of elite meetings discussing economic topics suggests an increasing emphasis on the economy. Certainly, the comparison between the first half of 2018 and the same period in 2019 suggests an increasing emphasis on economic issues. Of course, the biggest change in the economic landscape between the first half of 2018 and second half was the US’ imposition of tariffs on Chinese export starting July 6<sup>th</sup>, 2018. The tariffs were announced earlier in April, but China might have believed that given the lack of precedence, some agreement would have been reached prior to July.

### “Hold the Bottom Line”

Indeed, in examining Politburo press releases between April and July, one can discern a difference in the way that growth was discussed. At an April Politburo meeting, the focus was still on supply side reform, which involved shutting down thousands of firms in surplus industries, and on

“actively matching the demands of high quality development.”<sup>35</sup> By the July 26<sup>th</sup> Politburo meeting, however, the tone of the discussion on growth had changed: “[We must] preserve the healthy and stable development of the economy, insist on active fiscal and steady monetary policy...preserve the reasonable ampleness of liquidity and improve the stabilization of employment.”<sup>36</sup> Instead of achieving high-quality growth, an objective stated at the 19<sup>th</sup> Party Congress, the focus has shifted to maintaining bare-bone economic growth with sufficient fiscal and monetary tools. The emphasis on stable employment, which had disappeared from the elite discussion after the 19<sup>th</sup> Party Congress, made a reappearance.

In fact, the late July 2018 Politburo meeting raised for the first time the importance of “six stabilities” (六稳), which included “stabilize employment, stabilize finance, stabilize external trade, stabilize foreign investment, stabilize investment, and stabilize expectations.”<sup>37</sup> The “six stabilities” became a recurring theme in several subsequent high level meetings, including the two Politburo meetings in the second half of 2018, as well as the Central Agriculture and the Central Economic conferences at the end of 2018. It continued to be a theme in two Politburo meetings in 2019. The appearance of the “six stabilities” likely was germane to the trade conflict with the US because two of the six “stabilities” had to do with actions of external actors, including foreign importers and investors. Although the emphasis on growth, employment, and financial stability had been perennial themes in the Chinese government, the new focus on external trade and investment likely aimed to counter the potentially deleterious effects of the trade conflict.

In order to systematically measure whether elite internal discussions on the economy have shifted priorities, I track how often four topics made appearances in elite policy meetings in the four periods laid out on Table 1. These topics include growth/stimulus, financial stability, equalizing the playing field for firms, and SOE reform. Again, the 19<sup>th</sup> Party Congress had placed a heavier emphasis on higher quality growth by creating an equal playing field for firms and by reforming SOEs. Meanwhile, maintaining growth through stimulus was not emphasized. Financial stability was a topic mentioned at the 19<sup>th</sup> Party Congress, but only in passing.

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<sup>35</sup> “Politburo Holds Meeting to Analyze and Study Current Economic Situation and Economic Work” [中共中央政治局召开会议分析研究当前经济形势和经济工作], Xinhua, April 23, 2018, [http://www.gov.cn/xinwen/2018-04/23/content\\_5285191.htm](http://www.gov.cn/xinwen/2018-04/23/content_5285191.htm).

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.



Figure 2: The Proportion of Elite Meetings which Discussed Growth/Stimulus, Financial Stability, Equal Playing Field for Firms, and SOE Reform: 4Q2017 to 1H2019

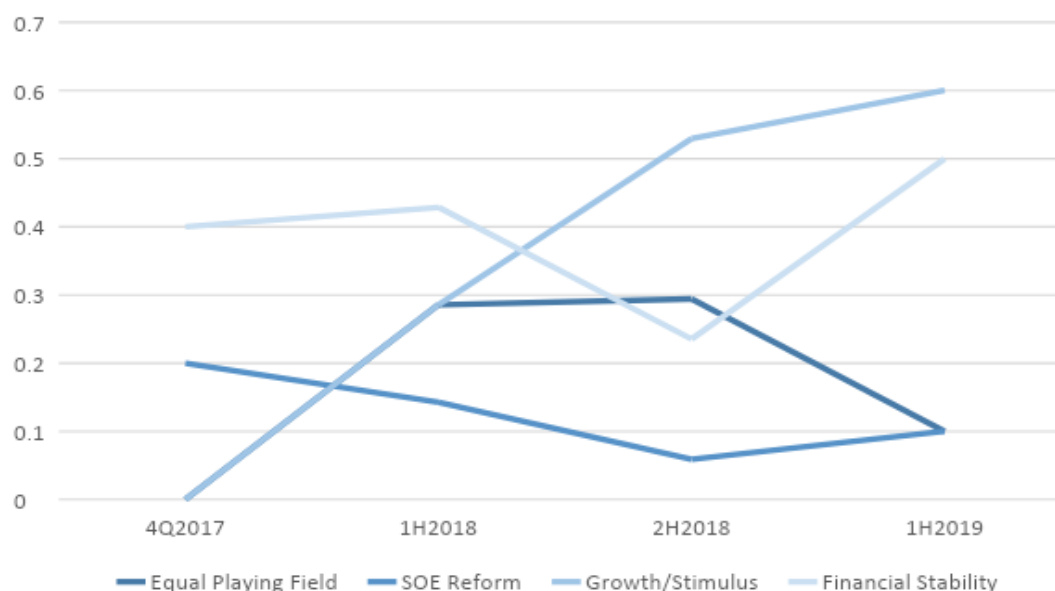


Figure 2 shows the evolution of the appearance of these topics at elite policy meetings from the fourth quarter of 2017 through the first half of 2019. Immediately after the 19<sup>th</sup> Party Congress, elite policy meetings such as Politburo meetings and leading group meetings did not discuss growth or market competition issues for the first three months. Even at the encompassing annual Central Economic Work Conference at the end of 2017, the focus was on supply side reform, rural development and poverty alleviation, as well as SOE reform.<sup>38</sup> For SOE reform, the summary of the conference contained a relatively lengthy discussion on strengthening the role of state asset managers as investors rather than as regulators, especially in key industries such as transportation, electricity, and energy.<sup>39</sup> Of course, this objective had been discussed numerous times in previous elite meetings in the prior three decades with little real progress evident. Still, the appearance of the SOE discussion suggests that at least the top leadership did prioritize SOE reform as a key policy objective for 2018.

Interestingly, although only mentioned in passing at the 19<sup>th</sup> Party Congress, financial stability immediately became a topic of discussion at elite meetings, including a December 2017 Politburo meeting and the Central Economic Work Conference at the end of the year. The Central Work Conference synopsis contains the stern wording of “defending the bottom-line of not having systemic financial risks.”<sup>40</sup> It is noteworthy that for the top leadership, the “bottom line” was not

<sup>38</sup> “Central Economic Work Conference Held; Xi Jinping and Li Keqiang Give Important Remarks” [中央经济工作会议举行; 习近平李克强作重要讲话], Xinhua, December 20, 2018, [http://www.xinhuanet.com/fortune/2017-12/20/c\\_1122142392.htm](http://www.xinhuanet.com/fortune/2017-12/20/c_1122142392.htm).

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.



to prevent or guard against a financial crisis, but instead was “not having” (不发生) one, which undoubtedly placed a heavy burden on financial technocrats to monitor and prevent any and all potential causes of a financial crisis.

Meanwhile, in the first few months after the 19<sup>th</sup> Party Congress, the political elite did not discuss growth or leveling the playing field issues at these meetings. At the Central Economic Work Conference, besides wordings to “ensure that the economy is developing toward the correct direction” and mentions of supply side reform and rural development, a focus on economic growth per se was entirely absent.<sup>41</sup> One interpretation of the absence of a growth-focused discussion was that the leadership was not worried about growth in late 2017.

Although growth was discussed at two of the five elite policy meetings in the first half of 2018, the focus was on the quality of growth, as discussed. Also, the relatively low number of meetings discussing economic issues, even when compared with the first half of 2019, suggests that economic issues overall were not especially urgent priorities in early 2018. A key meeting on economic issues in the first half of 2018 was the Third Politburo Study Session, which focused on building a “modernized economic structure” (现代化经济体系).<sup>42</sup> Instead of focusing on growth per se, this meeting studied how institutions in China could change in the medium term to support higher quality growth. Measures discussed included greater integration of technological breakthroughs and economic growth, greater coordination of regional development, better institutions and laws governing market entries, operation, and exit, and greater opening of the economy, especially toward Belt and Road countries.<sup>43</sup> Similar to a leisurely graduate seminar, the participants of the study session “learned by themselves and then shared their insights with each other.”<sup>44</sup>

The one economic issue of immediate concern discussed by the elite in the first half of 2018 was that of financial stability. The April 2018 Central Financial and Economic Affairs Commission meeting, chaired by Xi Jinping, called on SOEs to lower their debt level and for “strengthening the organizational guarantee for the winning the tough battle of preventing and resolving financial risks,” which suggests the need for better coordination between agencies to ensure that every risk is monitored and dealt with.<sup>45</sup> As one can see in Figure 2, financial stability was an ever-present concern after the 19<sup>th</sup> Party Congress and a topic of discussion in 25-50% of elite policy meetings

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<sup>41</sup> Ibid.

<sup>42</sup> “Xi Jinping: Deeply Understand the Importance of a Modernized Economic Structure; Elevate Our Country's Economic Development Vitality toward a New Stage” [习近平：深刻认识建设现代化经济体系重要性 推动我国经济发展焕发新活力迈上新台阶], *People's Daily*, February 1, 2018, <http://cpc.people.com.cn/n1/2018/0201/c64094-29798984.html>.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

<sup>45</sup> “Xi Jinping Convenes the First Meeting of the Central Finance and Economic Leading Group” [习近平主持召开中央财经委员会第一次会议], *Xinhua*, April 2, 2018, [http://www.gov.cn/xinwen/2018-04/02/content\\_5279304.htm](http://www.gov.cn/xinwen/2018-04/02/content_5279304.htm).

in every period. This suggests that the top leadership continued to worry about the specter of a financial crisis in China through the entire post-Congress period.

As noted, growth suddenly became a serious concern of the top leadership in the second half of 2018, and as Figure 2 shows, this worry continued to escalate through the first half of 2019. By the first half of 2019, 60% of the 10 elite policy meetings discussed the topic of growth and stimulus. After the “six stabilities” were raised at the late July 2018 Politburo meeting, another Politburo meeting in late October repeated the emphasis on the “six stabilities” after assessing that “downward pressure on the economy has increased; some firms have faced greater difficulties, and some risks which had been accumulated for some time have revealed themselves.”<sup>46</sup> The end of the year Central Economic Work Conference likewise re-emphasized the “six stabilities” and described the situation facing China as “a dire and complicated external environment and an economy facing downward pressure.”

Notably, when communicating with external audiences, the leadership did not display a similar degree of pessimism and alarm. For example, in addressing a group of former state leaders who attended the Imperial Springs International Forum in December of 2018, Xi Jinping described the Chinese economy in glowing terms: “We have firm confidence in the fundamentally positive movement of the Chinese economy in the long run and firm confidence in maintaining the medium- to high-speed growth of China’s economy toward a medium to high level of development.”<sup>47</sup>

Going into the first half of 2019, the sense of alarm continued to build in elite policy discussion. 2019 began with the central leadership holding a special study session for ministerial and provincial level cadres on the topic of “risk prevention and holding the bottom line.” During the inaugural speech of the course, Xi Jinping himself laid out the dire situation facing China, stating that “currently, the larger situation in the world is undergoing accelerating and deep changes; global sources of volatility and risk points have increased; our external environment is complicated and dire.”<sup>48</sup> For Xi Jinping, his demand of senior cadres in the Party was no longer improving the quality of growth or other medium term objectives. Rather, his stern message was focused on risk prevention: “You must be highly alert against ‘black swan’ events while preventing ‘gray rhino’ incidents; you must act first to prevent risks while also having the skills to meet with and resolve risks and challenges; you must fight well the battle of preventing and resisting risks while also

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<sup>46</sup> “Politburo Holds Meeting,” Xinhua.

<sup>47</sup> “Xi Jinping Meets with Foreign Guests Attending 2018 Imperial Spring International Forum” [习近平会见出席“2018 从都国际论坛”外方嘉宾], Xinhua, December 12, 2018, [http://www.xinhuanet.com/politics/leaders/2018-12/12/c\\_1123844157.htm](http://www.xinhuanet.com/politics/leaders/2018-12/12/c_1123844157.htm).

<sup>48</sup> “Xi Jinping Gives an Important Speech at the Inaugural Class of the Ministerial- and Provincial-Level Major Leadership Course on Resolutely Upholding the Bottom Line, Thinking and Striving to Prevent and Resolve Major Risks: Increase Preventive and Control Ability, Strive to Prevent and Resolve Major Risks, Maintain the Continuous and Healthy Development of the Economy and Ensure the Overall Stability of Society” [习近平在省部级主要领导干部坚持底线思维着力防范化解重大风险专题研讨班开班式上发表重要讲话强调提高防控能力着力防范化解重大风险保持经济持续健康发展社会大局稳定], Xinhua, January 21, 2019, [http://www.gov.cn/xinwen/2019-01/21/content\\_5359898.htm](http://www.gov.cn/xinwen/2019-01/21/content_5359898.htm).

going on the offensive of turning risks into calmness and transforming danger into opportunities.”<sup>49</sup>

Interestingly, the January 21<sup>st</sup> conference came at the heels of the Trump Administration’s announcement of imposing a whopping 25% tariff on 200 billion USD in Chinese goods and the announcement of a 90-day grace period immediately thereafter. If the Chinese government had intended to make major concessions to the US, which likely would have earned China further delays on the 25% tariffs, why did it feel the need to prepare its senior cadres for a “complicated and dire” international environment? Perhaps the change in tone and language in these elite policy meetings was meant to prepare CCP cadres for the tough road ahead and to signal externally Xi’s personal desire to fight the trade war with the US.

This state of vigilance maintained through the imposition of 25% tariffs on 200 billion USD in Chinese exports to the US on May 10<sup>th</sup>, 2019. At a July 2019 Politburo meeting, Xi continued to call for vigilance: “While the downward pressure on the economy is increasing, we must strengthen our vigilance, grasp the long-term trend, grasp the main contradiction, and do well to turn danger into opportunities.”<sup>50</sup> In response to the political elite’s obsession with growth, various government departments have echoed the center’s message of “holding the bottom line.” The fourth quarter 2018 *People’s Bank of China Monetary Policy Implementation Report*, for example, states “the PBOC has further strengthened countercyclical adjustments, strived hard to relieve capital, liquidity, and interest rate constraints related to the supply of credit, and guided banks to increase their lending support for the real economy.”<sup>51</sup>

As a result, although Figure 1 shows a relatively even pace of growth for lending, total social finance (TSF), a broader gauge of credit expansion in China, displays a sharp turnaround in the pace of growth in late-2018, as shown on Figure 3. The 12-month sum of TSF, if adjusted to include government bond issuance, rose sharply from 25 trillion RMB to 28 trillion RMB. This increase managed to keep nominal GDP growing at a pace of 7 trillion RMB over a 12 month period.

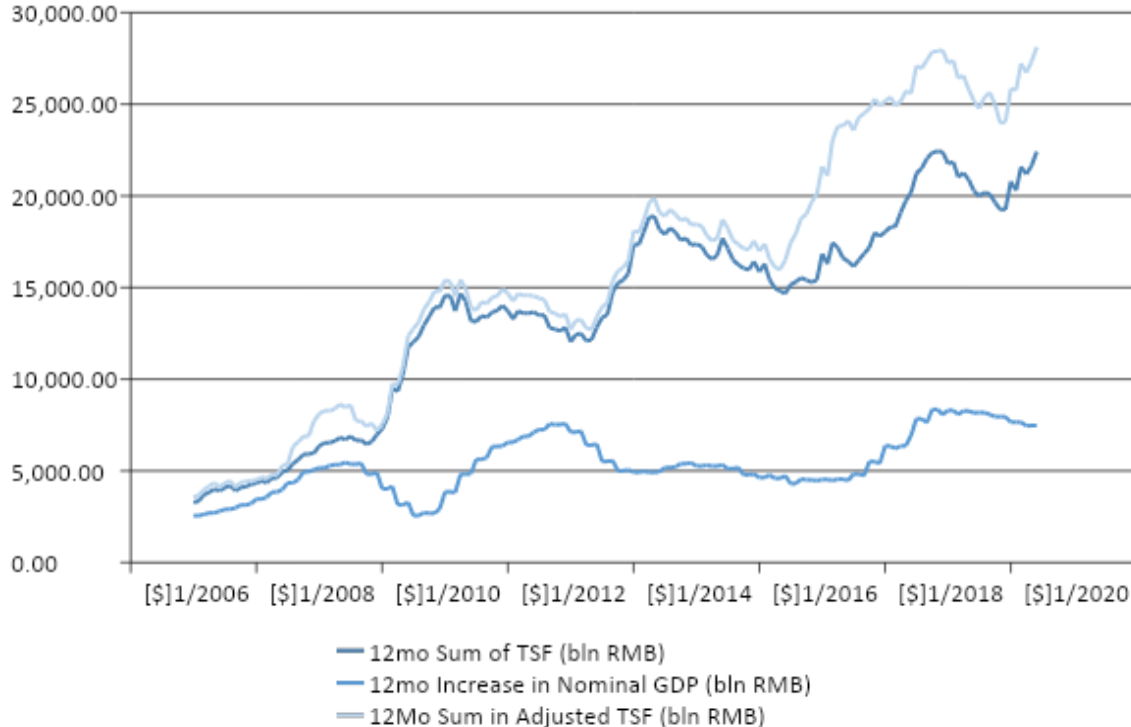
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<sup>49</sup> Ibid.

<sup>50</sup> “Politburo Holds Meeting to Analyze and Study Current Economy and Economic Work and to Review 'Decrees on the Responsibilities of the Chinese Communist Party' and Report on the Third Round of Inspections During the 19th Central Committee” [中共中央政治局召开会议: 分析研究当前经济形势和经济工作 审议《中国共产党问责条例》和《关于十九届中央第三轮巡视情况的综合报告》], Xinhua, July 30, 2019, [http://www.xinhuanet.com/politics/leaders/2019-07/30/c\\_1124817133.htm](http://www.xinhuanet.com/politics/leaders/2019-07/30/c_1124817133.htm).

<sup>51</sup> *4th Quarter 2018 Chinese Monetary Policy Implementation Report* [中国货币政策执行报告], People's Bank of China, February 21, 2019, <http://www.chinamfi.net/upload/link/1902/f221939.pdf>.

Figure 3: 12-month Sum of TSF, Adjusted TSF, and Nominal GDP (bln RMB)



In the meantime, because of the relative neglect by the elite, little was done on SOE reform. The State Asset Supervision and Administration Commission (SASAC) has moved very cautiously on restructuring SOEs into holding companies. At the end of 2018, SASAC held a meeting with 12 test-point SOEs, where the primary task for these firms in 2019 was to “grasp tightly the task of drafting reform proposals.”<sup>52</sup> In other words, action on that front continued to be very tentative through much of 2019.

## Conclusions

The 19<sup>th</sup> Party Congress and the Third Plenum before it had laid out an ambitious agenda for increasing the quality of China’s economy. Through legal and regulatory changes and a complete overhaul of China’s state asset bureaucracy, the market was set to become fairer for private and even foreign companies, at least on paper. State-owned enterprises also were going to transform into holding companies and begin to focus more on the profitability of state assets.

Because of the rapidly escalating elite concern over growth, however, these policy objectives have been left by the wayside. To be sure, Figure 2 shows that several elite policy meetings discussed the issue of creating an even playing field for firms, but the number of meetings devoted to that topic paled in comparison to meetings discussing downward pressure on growth. Meanwhile, in

<sup>52</sup> “SASAC Holds a Meeting to Launch 11 State Asset Investment Companies for Central SOEs” [国资委召开 11 家央企国有资本投资公司试点启动会], State Assets Supervision and Administration Commission (SASAC), December 28, 2018, <http://www.sasac.gov.cn/n2588030/n2588924/c10121840/content.html>.

the face of elite neglect, SOE reform was almost completely abandoned, save for a few perfunctory meetings by SASAC.

The analysis above highlights some broader themes about contemporary policy making in China. First, despite carefully thought out aspirational plans at the five-yearly party congresses or at the annual Central Economic Work Conferences, external shocks rapidly shifted the elite agenda, especially when issues were deemed jeopardizing the “bottom line” of stability and systemic risks. In other words, surprising shocks can quickly turn elite attention toward addressing it to the neglect of long-standing strategic initiatives; at least they reshuffled elite priorities in China. Furthermore, this tendency may be more acute under a one-person dictatorship than in a decentralized power structure because one person’s attention span is much more finite than 7 or 9 people. This has led to an acute tradeoff between growth maintenance and reform, which may benefit China in the short-run, but may cause small problems to get bigger in the future. A series of perceived threats may derail much needed reform for years. Also, although China had already reached the first of its “two centenaries” objectives of doubling its GDP between 2010 and 2020 by late 2017, the regime continued to be obsessed with growth, suggesting that the top leadership, likely Xi himself, has a genuine desire to make China the largest economy in the world, even if only in nominal terms. The continual focus on growth also does not bode well for reform and deleveraging of the economy, which will require periods of slow or even negative growth.

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