



To understand China's economic signals, start with the Four Comprehensives by John Fei

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The recent drama surrounding China's economy reveals contradictions in the Chinese Communist Party's (CCP) monetary and fiscal management policies. Witness the rare, and highly scripted, appearances of People's Bank of China (PBOC) Governor Zhou Xiaochuan or the China Securities Regulatory Commission's (CSRC) regulatory flip-flop on circuit-breaker mechanisms imposed on trading. While there has been a plethora of analyses regarding the need for improved communication and greater independence of organizations such as the PBOC, less has been said about how recent events relate to the CCP's leadership doctrine.

China's schizophrenic economic signaling is not simply a reflection of poor communications or outmoded regulatory structures, but symptomatic of deeper contradictions within CCP doctrine. In a nation where doctrine serves as the ideological foundation for actionable policy, one can trace the current policy confusion in Beijing to Xi Jinping's "Four Comprehensives" and other slogans.

What are the Four Comprehensives? To casual Western observers, they may seem akin to what the late Justice Antonin Scalia would call the "mystical aphorisms of the fortune cookie." In a series of workshops conducted in Chinese at the China Executive Leadership Academy in Pudong, a CCP Party school in Shanghai, I and other participants in the American Mandarin Society's Fellows Program delved into the meaning and policy implications of slogans such as the Four Comprehensives. The Four Comprehensives are part and parcel of Xi Jinping's "Chinese Dream" – realizing the great rejuvenation of the Chinese nation – and capture China's paramount objectives in four points: 1) comprehensively build a moderately prosperous society, 2) comprehensively deepen reform, 3) comprehensively implement the rule of law, and 4) comprehensively strengthen Party discipline.

The first and second comprehensives provide doctrinal ammunition to liberalize China's economy. To achieve a "moderately prosperous society," the Chinese leadership announced during the Third Plenum of the 18th Party Congress that the market is to play a decisive role in the allocation of resources in an effort to comprehensively deepen reform. Taking this logic to include liberalization of capital markets, loosening controls over the renminbi's exchange rate thus appears to be a step toward unleashing market forces. Given the central bank's devaluation of the renminbi last August and the fact that China has yet to enact strict capital controls, the

goal to comprehensively deepen reform seems to have prevailed.

In regards to the third comprehensive, CCP officials we encountered are keenly aware that China's legal system needs reforming so that the current, unsustainable model of economic development – one based on manufacturing and capital investment – can shift toward an "innovation economy." Some of our interlocutors were quite direct, noting that the Party should reduce its role in society so that non-profit and nongovernmental organizations could play a valuable role by coming up with innovative ways to address China's various societal and environmental challenges.

Yet, the intent to allow market forces to play a decisive role in China's economy and to comprehensively implement the rule of law appears to be simultaneously countered by logic implied by the fourth comprehensive – that of strengthening Party discipline – and other canonical slogans. Invoked to address the very real problem of corruption within the CCP, implementation of the fourth comprehensive has had the effect of instilling restraint in the words and actions of many. Combined with the CCP's goal of building a "harmonious society" – one that stresses social stability – the fourth comprehensive could be supporting voices that aim to control China's economic narrative.

For example, while one would assume that building the rule of law goes hand-in-hand with press freedoms, recent proclamations have required that media must be "socially responsible." Spreading rumors would be considered *verboten* under these guidelines. This raises the danger that reporting on China's stock market gyrations or on the depletion of foreign currency reserves could be considered "socially irresponsible." This might explain why Zhou Xiaochuan has made few public appearances and that CCP leadership continues to censor economic information.

The debate over the renminbi's depreciation and China's economic policies is likely to continue. Examining the doctrinal foundations of Beijing's recent economic policies through engagements with Party officials reveals how China's leadership will struggle to navigate the contradictions embedded in slogans such as the Four Comprehensives or "harmonious society." If the Party is serious about improving the credibility of its signaling on international economic matters, it might want to begin by revisiting the Four Comprehensives and other slogans to ensure greater consistency.

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