

Potential Reform

Potential Downside/Alienated Special Interests

Reform local government finance	Reduces local government perquisites/resources
Ease bank deposit rate limits, offer deposit insurance	Reduces spread that makes banks profitable
Liberalization of financial markets	Weakens CCP and SOE control of economy
Streamline investment approval processes	Reduces opportunities for rent-taking elites and local protectionism
Breakup state monopolies and reduce privilege of state-owned enterprises (SOEs)	Destroys profit centers for China's most powerful families, may increase in unemployment
Allow private investment in the banking, energy, infrastructure, and telecom sectors	Loss of CCP control over sectors deemed critical to national security
Move toward convertibility of the Renminbi on the capital account	Increased capital flight
Provide minimal social security package covering health care, education, retirement	Increased taxes and/or lower investment
Eliminate CCP ranks for SOE CEOs and university presidents	Weakens CCP control of enterprises and education
Give peasants quasi-ownership of land	Eliminates source of income for local government
Eliminate the <i>hukou</i> residence permit system, allowing free flow of labor	Allows hundreds of millions to flood into cities
Develop independent judicial organs	Loss of CCP control across the board

Xi's goals are to make China a high income society by 2030 and, secondarily, to increase China's international power. He believes this can be achieved only if the CCP retains its monopoly on political power, but the reforms he is likely to call for at the Third Plenum demand the continued withdrawal of the Party from the market and from the lives of most Chinese.

It gets harder to balance that equation with each passing year. Still, the CCP has adapted continually since 1978 and those who've predicted its demise, like the Party itself, have had to search for new models.