

**CHINA'S "MINI-STATE COUNCIL":
NATIONAL DEVELOPMENT AND
REFORM COMMISSION**

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EAI Background Brief No. 614

Date of Publication: 8 April 2011

Executive Summary

1. No government agency other than the National Development and Reform Commission (NDRC), established in 2003, better highlights the nature or characteristics of China's "socialist market economy"—how it works and how it is governed.
2. The role of the NDRC extends to almost every aspect of the Chinese economy, from development planning and reforming the economic system to industrial policy, orchestrating major investment projects, monitoring price stabilization, promoting social and regional development, etc; it also participates in making and plays a key role in implementing fiscal and monetary policies.
3. Despite marketization, the NDRC remains an indispensable tool for the central government as it often finds it necessary to resort to direct administrative control to achieve its macroeconomic objectives. The methods of microeconomic management bear the birthmark of a communist legacy that continues to shape the way it operates.
4. Apart from promulgating rules and regulations, the power and influence of the NDRC come from three sources: project screening—it can either approve or reject an investment project, the pricing of key commodities and services, and allocating budgetary investment funds.
5. Fundamentally it is intended as a "counter-bureaucracy" to coordinate the actions of, to reduce the frictions and mend the gaps among other State Council bureaucracies, and to overcome resistance to central government policies from entrenched bureaucratic interests. It has a subdivision corresponding to almost every other ministry or agency of the State Council.
6. The NDRC can claim jurisdiction over almost all socioeconomic issues; its power is unmatched by any other agencies in the State Council. It does not own but controls the power of the purse: it decides on investment projects and

government procurement. It is capable of mobilizing resources, launching various development programs, and altering the constraints and incentive structure of economic actors quickly and effectively.

7. For example, compared to the US economic stimulus package in the immediate aftermath of the 2008 Wall Street meltdown, which is yet to revitalize the economy, China's 4 trillion *yuan* stimulus package launched in late 2009 had already created fears of overheating the economy by the middle of 2010. The NDRC's mobilizing capabilities have played a key role in helping China weather the crisis better.
8. The top leaders of the State Council often find the NDRC a more convenient policy tool than the unwieldy ministries. Their preference has led to a power migration from the ministries to their corresponding departments in NDRC. The NDRC departments often overstep their turf to run official businesses on behalf of their corresponding ministries and other agencies.
9. Resentment of the NDRC is widespread, so are voices for its reform. However, the existence of the NDRC reflects China's economic reality; any such reforms are unlikely to go far without further reforming the Chinese political economy. In particular, the role of the state (especially local states) in the economy has to be redefined and better specified.