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STAGE-MANAGING CHINA'S OPAQUE FINANCIAL SYSTEM
Protecting Big Banks, And Making Business Moguls Toe The Party Line

Dominique Jolly, *The Chinese Financial System: Sino-Centricity and Orchestrated Control.* Singapore: World Scientific, 2024, 252 pages, USD 88.

The Chinese Financial System: Sino-Centricity and Orchestrated Control offers essential material on the financial system in China. A system that is well known for its opaqueness and difficult-to-understand operating systems, which goes against orthodox free-market logic. The book's essential proposition is that "the finance and investment in China are simply not the product of market forces," rather "the Chinese State Council can be viewed as a conductor, and financial and economic actors as performers who imperatively have to follow the track decided by the conductor" (p. ix). Due to this extensive intervention by the state and the Communist Party of China in the financial system, foreign banks and financial entities are impeded from entering the Chinese market.

This volume is pertinent given the acute interest in China, especially given the mercurial nature of recent world events. It is structured in eight chapters. Chapter 1 presents how the financial system in China is regulated by the Chinese State Council, acting as a conductor, directing the flow of investments and policies of the banks and other financial institutions, which play by the script given by the conductor. Chapter 2 analyzes the performance of the Chinese financial system that the author defines as "fringed oligopoly," where the five big banks dominate—Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China, and Bank of Communication. The system also consists of more than 4,000 smaller banks, too small to exert any visible influence relative to the major banks, along with the three stock-market platforms that complement the financing capacity of the banks and other financial entities. Chapter 3 turns to some recent financial developments in China, such as the rise of a shadow-banking system that operates within the grey areas of Chinese financial regulation, the creation of "local government financing vehicles" (LGFV) enabling local governments to raise their own funds, and the emergence of very small private banks. Chapter 4 turns to the role of the three institutional banks, i.e., the China Development Bank, the Export-Import Bank of China, and the Agricultural Development Bank of China, in the financing of telecommunication, energy, and transportation infrastructure across China and abroad. Chapter 5 illustrates how Chinese foreign investments are primarily driven by geopolitical considerations. The chapter also pays close attention to the creation and role of the China Investment Corporation, a sovereign fund created by the Chinese authorities to oversee Beijing's investments abroad. Chapter 6 turns to the use of technology to create new financial products and transform the banking system, such as the rise of financial-tech firms and digital payment platforms. Chapter 7 examines some of the major domestic challenges, such as the debt-ridden real estate industry, problems concerning financing retirement pensions, and rising public-private debt. If not addressed, they have the plausibility to undermine the present, yet fragile, equilibrium. Chapter 8 turns to China's Belt and Road Initiative (BRI), the gradual opening of China to foreign banks, and the push for China to make the yuan an internationally used currency of exchange.

Choreographing A Sino-centric Financial System

As the author outlines, the purpose of the book is to cast light on the Chinese financial system "that is still not well known" (p. xxviii), especially outside of China. To this end, the book succeeds in illustrating to readers the nebulous web of control and command by the state and the Communist Party of China over the country's financial system. The book's metaphor of "orchestrated" aptly exemplifies the massive orchestra conducted by the state and the party, playing the role of a conductor, which directs the performance of the banks, stock exchange platforms, and other financial actors. As the book pointedly mentions, "The conductor is the master and performers have to follow the 'music sheets.' They have to be fully compliant with the directions, the orders and the style of the conductor" (p. 19). This perhaps makes it difficult for outsiders to comprehend how the Chinese financial system is able to finance its growth with extensive state regulation, control, and influence, which opposes the conventional view that suggests otherwise. Indeed, as the book suggests, "the financial system in China is Sino-centric . . . there is a kind of self-sufficiency. The system is Sino-centric, i.e., it works by itself, almost not open to foreigners" (p. xxxi).

Moreover, the financial system's opaqueness is also due in part to this state and party control and influence over it. Indeed, the opaqueness of the Chinese financial system is conventional knowledge among policymakers and in academic scholarship (Gonzalez-Vicente and Cheng 2025; Chan 2024; Dorn 2015; Elliott and Yan 2013). This impenetrable cloud makes it even more difficult for those outside of China, and especially those outside of the state and the party, to analyze the financial system. It is practically a guessing game, based on historical data. The fact that the local, regional, and national governments play a highly active and decisive role in directing the activities of the financial institutions and intermediaries further amplifies this opaqueness of the entire system (Elliott and Yan 2013). One of the consequences of such extensive involvement of the state and party in the activities of the financial system is the extensive and stringent regulatory framework (Chan 2024). This has discouraged foreign banks and other financial institutions from entering the Chinese market (p. 19). What's more, the financial system no longer functions as a commercial system; rather, it is reduced to more or less a branch of the state (Chan 2024). This, as some put it, is a "lust for power" (Chang 2024, p. 4), on the part of the party and the state, leading to the Chinese financial system being characterized as "simultaneously weak and strong, ineffective yet overwhelming" (Gonzalez-Vicente and Cheng 2025, p. 128-129).

The Rise of Elephantine, Opaque State-controlled Banks

On the other hand, the effects of such deliberate state intervention have been the creation of or the gradual rise of an elephantine state-controlled banks and financial institutions, which are not just one of the largest (in terms of assets) in Asia but the world as well. Indeed, the four largest banks in the world are from China: Industrial and Commercial

Bank of China, China Construction Bank, Agricultural Bank of China, and Bank of China (p. 25).

The Chinese government's role in the system perpetuates the implicit dissuasion of foreign financial banks from entering the Chinese market, but it also, at the same time, protects Chinese banks from outside competition (p. 24). Thus, it is also not surprising that Beijing is using its own financial banking institutions, such as the China Investment Corporation and the Asian Infrastructure Investment Bank (AIIB) to finance and fund its ambitious Belt and Road Initiative, also known as the One Belt One Road. The creation of the AIIB, an example of an "anti-Bretton Woods project," signals that Beijing is trying to stay clear and free from the present international financial order established after the Second World War (p. 70; Jolly 2026, 153).

Viewed from this lens, the murky and "opaque" nature of the Chinese financial system begins to make sense. It would be an error on the part of anyone trying to make sense of the Chinese financial system from existing conventional theoretical lenses, for that would only beget incoherence in trying to understand a system that is intentionally framed and positioned to be an anti-thesis to what is orthodox. This, perhaps, is one of the reasons why most analysts of the Chinese financial system are simultaneously baffled and admiring of how Beijing has been able to grow and also, at the same time, show much resilience to financial crunches, such as the 2008 Global Financial Crisis (Gonzalez-Vicente and Cheng 2025; Dorn 2015). Indeed, it is common knowledge that many market and financial analysts have long been predicting the collapse of the Chinese financial system due to its lack of transparency. Yet, it is difficult to say if it will happen anytime soon. This is evident in how Beijing has been able to amalgamate, localize, and adapt imported financial, economic, or political ideas to Chinese conditions. In the words of Deng Xiaoping, “It is the leader who arbitrates, and no one will question his judgment. The Chinese never go against their leadership” (CGTN 2021). Hence, we see capitalism thriving in socialist China, where the communist party has been in power for more than eight decades. As President Xi Jinping asserts, “The Chinese socialist system and state governance system did not drop out of the sky but emerged from Chinese soil through a long process of revolution, economic development, and reform” (CGTN 2021).

Similarly, the financial system is also adapted to the Chinese conditions. In this way, what China now has is more of a hybrid financial system. And to understand this system requires one to recognize the function this financial system plays in China. The function of the financial system here is not the same as the one we may find in the United States or Europe, for instance, exemplified by the prestige and influence of business moguls such as Peter Thiel, Elon Musk, Jeff Bezos, and so on, who wield significant, persuasive political power by virtue of possessing great financial fortune. Rather, the purpose here is to serve a social purpose, at least from the standpoint of the state and the Communist Party, i.e., “moderately prosperous society” (*Xiaokang*). Of course, it is debatable how successful the state has been in fulfilling this aim, leaving it open to various interpretations (p. 115-136).

The Fear Of Social Instability, And The Jack Ma Lesson

For Beijing, however, social instability is seen to be a great destabilizing force that threatens the very foundation of the state. It is a historical and endemic fear etched in the minds of the leaders of China. From the perspective of the leaders, all the state machinery and the political and socio-economic systems must be directed toward the maintenance of stability. Anyone seen as too powerful or influential, no matter their financial fortunes, who is perceived to threaten stability, is 'reformed.' The case of Alibaba's Jack Ma is an excellent illustration of how the state and the party see the function and aim of the Chinese financial system (p. 167-172). Making a profit is not a problem, but it should not be seen to endanger the authority of the state and disrupt the perceived stability of society, as wealthy individuals such as Jack Ma can encourage ordinary citizens to go against, or criticize, the system.

Such actions of the state also reveal, at the same time, the primacy of the state's authority, not just in the political domain but, most importantly, culturally as well. Actions such as these of the state that can hardly be tolerated in any Western state are 'normal' or part of daily life. One way of understanding this is to recognize how deference to hierarchy is deeply rooted in the Chinese culture that: "It is the leader who arbitrates, and no one will question his judgment. The Chinese never go against their leadership . . . " (Jolly 2026, 129). Seen from this lens, what seems to be an anathema of the state's infringements into private lives and property altogether has a different color and tone of propriety. In other words, "the State and the Chinese Communist Party, not the market forces, have the final say in the financial sector" (p. xxxi). An anathema to economists von Mises, Hayek, and Friedman, who opposed such invasive state interventionism and championed free-market capitalism. That being said, all in all, the book is a good introduction for those interested in learning the basics of the Chinese financial system.

Note on the Reviewer

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