

## **Precarious Ties: Business and the State in Authoritarian Asia.**

Review by Ruixue Jia

In *Precarious Ties*, Meg Rithmire examines the complex relationships between political and business elites in three authoritarian Asian regimes: Indonesia under Suharto's New Order, Malaysia under the Barisan Nasional coalition, and China under the Chinese Communist Party. Rithmire moves beyond commonly used terms like "crony capitalism" and "elite co-optation," offering a sophisticated and nuanced analysis of these relationships.

At the heart of the book are two conceptual models of state-business relationships: mutual alignment and mutual endangerment. Mutual alignment is characterized by a symbiotic relationship where both economic and political elites, as well as society at large, may benefit through the productive use of resources. However, while this model can initially foster stability and growth, it can also lead to eventual economic stagnation due to factors like lack of innovation, barrier to entry and resource misallocation. Mutual endangerment, in contrast, describes a precarious situation where economic and political elites are intertwined in corrupt dealings, each reliant on the other's power for survival. The relationship is not just symbiotic but also fraught with risks, as the downfall of one party can drag the other down with it.

The book argues that these models are fundamentally influenced by two factors: the level of political trust or distrust between autocrats and business elites, and the degree of financial discipline imposed by the regime. Rithmire presents Malaysia as an example of mutual alignment, attributed to the trust between autocrats and business elites fostered through political inclusion within political parties. Conversely, Indonesia during the Suharto era and China are depicted as cases of political distrust between autocrats and business elites. Despite this distrust, mutual alignment can still emerge through informal personal connections. However, such informal alignments are vulnerable to shifting into mutual endangerment, particularly in the context of financial liberalization lacking market or rule-of-law discipline, where opportunities for resource exploitation by economic and political elites abound.

The book is structured to examine each case study in depth. After establishing the conceptual framework, Chapter 2 traces the origins of political trust and distrust during the regime-formation phase in the 1950s-1960s, considering factors like historical colonial experiences and geopolitical dynamics. Subsequent chapters—Chapter 3 on

Malaysia, Chapter 4 on Indonesia, and Chapters 5-7 on China—provide in-depth analyses of each country, enriched with empirical data and interviews.

Rithmire's analysis shines in relating macroeconomic and political outcomes to state-business dynamics. She links the divergent economic trajectories of Malaysia and Indonesia post-financial liberalization to varying degrees of business elite loyalty. Malaysia's quicker economic recovery after the Asian financial crisis is a result of stronger support from its business elites, as opposed to the situation in Indonesia.

Rithmire's examination of China's economic transformation offers an enlightening and potentially controversial perspective. She argues that the trajectory of China's economy, both its remarkable growth and subsequent challenges, can be closely examined through the prism of state-business relationships. From 1978 to 2001, an era marked by informal mutual alignment between economic and political elites, saw China's remarkable development success. This period was characterized by a cooperative yet informal partnership between the state and business sectors, which played a crucial role in driving the country's economic progress. However, China took a dramatic turn in the late 1990s and early 2000s. This period witnessed the breakdown of financial discipline, underscored by the rising prominence of land finance and a partial liberalization of the financial markets. Such shifts paved the way for increased corruption, the disintegration of elite alliances, and a shift towards mutual endangerment. Through this lens, the increasing intervention of the state in China's economic affairs in recent years can be interpreted as a strategic move by Chinese political elites to counteract the risks associated with mutual endangerment. By choosing to prioritize control over trust, the state aimed to reassert its dominance and stabilize the volatile dynamics between political and economic elites, echoing a Lenin quote cited in the book: "Trust is good, but control is better."

Notably, Rithmire identifies the turning point in China's economic performance as occurring earlier than the commonly hypothesized timelines of the 2008 global financial crisis or the political turnovers around 2013. This earlier demarcation offers a fresh perspective, suggesting that the roots of China's current economic challenges lie in the systemic changes that began in the late 1990s. This insight is likely to spark further debate and research, reevaluating the factors shaping China's economic trajectory.

Furthermore, Rithmire's framework reevaluates the role of economic elites in authoritarian regimes, challenging the influential notion of "cronyism." This traditional view often oversimplifies the relationship between economic and political elites as mutually beneficial, neglecting the complexity and variability inherent in these

interactions. Rithmire argues for a more dynamic understanding of these relationships, emphasizing their impact on the (in)stability of autocratic systems, particularly in situations of mutual endangerment where the risks are high for both parties involved.

*Precarious Ties* is a significant contribution to the literature on how capitalism works in Asia, enriching the discourse alongside works like such as *Capitalism with Chinese Characteristics*, *Asian Godfathers*, and *The Connections World*. The distinctive contribution of Meg Rithmire's work lies in her conceptual framework, which illuminates the varied dynamics of various authoritarian regimes. This framework critically reexamines the prevailing political economy literature, particularly in terms of the state-business nexus. Moving beyond the well-established idea that firms benefit from their political connections, Rithmire attempts to link the inner workings of these relationships with their broader implications. The book also prompts significant policy-relevant questions for future exploration, such as how authoritarian regimes establish trust with economic elites and what factors lead to shifts between mutual alignment and endangerment. *Precarious Ties* thus stands out as an insightful investigation of state-business relationships, offering valuable perspectives for scholars, practitioners, and anyone interested in the complexities of political economy.

#### References:

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