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DEPARTMENT OF DATA

CHINESE PUZZLE

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For a city enthralled by intelligence work, like Washington, D.C., provocative intellectuals are a rare breed. So Leland Miller didn't expect a warm reception when he rolled into town recently, declaring that everything everyone thinks he knows about China's economy is wrong. Miller had no sooner introduced himself at the Atlantic Council, a think tank, when the audience, made up mostly of middle-aged white men in dark suits, stiffened.

Miller was talking about his new publishing project: an insider's guide to the Chinese economy for investors. A thirty-six-year-old lawyer with a long chin and product-perfect hair, he studied Chinese history at Oxford and speaks Mandarin. A couple of years ago, he and some China-minded friends from Wall Street and Washington arrived at a conclusion. "The game is completely rigged," he said. Every policy wonk and financial adviser interested in China had to rely on economic data provided by the Chinese government. "There is no way to validate whether any of the Chinese numbers are right or wrong," he said.

So Miller devised a solution, which he calls the China Beige Book. It's modelled on the U.S. Federal Reserve's Beige Book, a report, published eight times a year, that gives a regional, incremental snapshot of the American economy. The latest edition of the U.S. version came out last month. Curious about used- and new-car inventories in Chicago? They're picking up. Traffic on the Mississippi River? Delays, because of low water levels. Hog prices in Minnesota? They're down.

Miller set out to cull similar data and trends from China, and, a year ago, he dispatched pollsters around the country to ask questions. He tabulated and analyzed the results by quarter. In the third quarter, he determined, among other things, that instances of worker unrest far exceeded what was reflected in reported data, and that automobile manufacturing had dipped in every region except the southwest. In the fourth quarter, furniture sales slowed in Inner Mongolia and the north, and investments in the Central Region's food sector increased (even after a British firm cancelled its plan to build a foie-gras plant following a protest campaign backed by the actor Roger Moore). The Atlantic Council, which is chaired by Chuck Hagel, the Secretary of Defense nominee, had asked him to project where China was heading in 2013.

"How many of you are relatively bullish on China?" Miller asked.

Most hands in the room went up.

“How many of you, back in quarter two, had the same opinion?”

About half the hands went up.

“The kind of data that the Chinese government puts out these days, even if reliable—and that’s a very big if—is not good enough,” he said. Then he pitched his China Beige Book. A subscription costs in the low six figures. Miller explained that he is “offering a premium product, at premium prices.” So far, he has subscribers from the hedge-fund and corporate worlds, but he has had little interest from policy circles. He had earlier touted the China Beige Book to a State Department official, who said that she was interested in China, but that her department was “really focussed on Tunisia this year.” Miller was shocked; the Chinese economy is about a hundred and eighty-five times the size of Tunisia’s.

“The answer to better Chinese analysis is not better Chinese analysts,” he told the council members. “The answer to better Chinese analysis is better data.”

Three former government officials sat alongside Miller on the dais. The moderator turned to one of them, Albert Keidel, who previously headed the China desk at the Treasury Department: “Are you comfortable, Bert, with the quality of data coming out of China?”

Keidel, who was considerably more credulous about the official data than the others and was slouching in his chair, offered a prickly response: “What question are you asking? What do you need to know?” He conceded that, in some cases, the data were “bad,” but in many others they were “remarkably good.”

Someone in the audience asked Miller about his own interactions with officials in Beijing: “Is the government of China buying the Beige Book?”

The Chinese government, Miller replied, is “not a client.” But, he added, to chuckles in the audience, “my opinion is that everyone should have a copy.” Miller has so far dodged the authorities by not reporting what he calls “headline” numbers, such as inflation or gross domestic product, which might contradict Chinese leaders’ pronouncements. Plus, since there are many market-research firms in China now, polling doesn’t seem subversive, as long as the questions aren’t political. “People are used to answering questions,” Craig Charney, Miller’s colleague and chief pollster, said later.

When the event broke up, Miller and Charney headed out to lunch. On the way, Miller wondered whether his remarks had gone too far, portraying the China Beige Book as an attempt to provoke the Chinese government. Charney spoke up. “You know the old joke about advertising?” Rolling his suitcase behind him, he said, “Half of all advertising is wasted. I just don’t know which half.” He went on, “The same thing is true of Chinese statistics. Half of them are wrong. The problem is that we don’t know which half.” ♦

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