1 China's Approach to Governance Reform

Abstract

This chapter introduces the empirical and theoretical puzzles motivating the book lays out core theoretical innovations and hypotheses, and summarizes the main empirical findings. The chapter also sets the stage for subsequent sections by describing the overall political context in which governance reforms unfolded, including political developments before and after the leadership transition that took place at the Eighteenth Party Congress in November 2012. We advance two general arguments. First, existing measures of Chinese governance overlook subtle but important changes in how the Chinese party-state interacts with society. Second, these changes – namely, a turn towards administrative reforms focusing on government transparency and consultative decision-making – are instrumental in nature and are primarily designed to monitor subordinate officials and secure information about citizen preferences concerning government decisions. The reforms are resulting in significant governance outcomes, notably lower corruption and enhanced legal compliance, but these outcomes also depend on a broader societal ecosystem that includes an active media and robust civil society.

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Following the dawn of the reform era in 1978, when agricultural reform experiments took root in the ashes of the Cultural Revolution, the People's Republic of China (PRC) has undergone an economic and social transformation that is unprecedented in both speed and scale.[1] Economic growth averaged an astonishing 9.9 percent over three decades. China is now the largest manufacturer in the world, and its economy, having overtaken Japan in 2010, is the second largest after the United States.

[1] China's economic transformation is a hundred times the scale of Britain's in the eighteenth century, and has been taking place at more than ten times the speed. See E. Osnos, *Age of Ambition: Chasing Fortune, Truth, and Faith in the New China* (New York: Farrar, Straus and Giroux, 2014), p. 4.

Chinese citizens have benefitted enormously from this rapid economic expansion. Although China remains a middle-income country, where the gross domestic product (GDP) per capita is only about one-fifth of the US level, incomes have risen from an estimated US$225 in 1978 to $7,925 in 2015. In addition, 500 million people have been lifted out of poverty, the urban population has risen from 17.9 percent to 53.7 percent of the total, and the middle class expanded from just 1 percent in the early 1990s to 35 percent in 2008, and could increase to 70 percent by 2020.[2]

Yet, while China's economy and society have been in a state of constant change, the political system seems all but immutable. The Chinese Communist Party (CCP), which came to power through war and revolution in 1949, has maintained a firm and continuous monopoly on political power and shows no proclivity toward political liberalization. This perception of suspended political development only deepened during the administration of Hu Jintao and Wen Jiabao from 2002 to 2012 – a period often characterized as a "lost decade" of reform by observers who point to an expanding security apparatus, the erosion of basic legal protections, and a reversal of earlier electoral and legislative reforms.[3] Since the Eighteenth Party Congress in November 2012, moreover, China's new leadership under Xi Jinping has launched a heavy-handed anti-corruption campaign while expanding control over the press, social media, the Internet, academics, lawyers, NGOs, and other groups.[4]

Alongside these authoritarian moves, however, China's leaders have also implemented far-reaching administrative reforms designed to promote government transparency and increase public participation

[2] World Bank and Development Research Center of the State Council, *China 2030: Building a Modern, Harmonious, and Creative Society* (Washington, DC: World Bank, 2013), pp. 3–73 (Part I: Overview); and World Bank Open Data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CN. On the middle class, see D. Wilson and R. Dragusanu, *The Expanding Middle: The Exploding World Middle Class and Falling Global Inequality*, Goldman Sachs Global Economics Paper No. 170 (July 2008), p. 10.

[3] For a discussion of reform stagnation during the Hu-Wen administration, see I. Johnson, "China's lost decade," *New York Review of Books* (September 2012); Shi Jiangtao, "President Hu Jintao's legacy seen as one of stability but stagnation," *South China Morning Post* (September 7, 2012). In the latter piece, prominent Peking University Law Professor He Weifang is quoted as saying, "The past 10 years have seen virtually no progress in the rule of law. We have seen, on the contrary, setbacks and even backpedalling."

[4] The official order for these policies came in the form of Document No. 9, issued by the Party Central Committee in April 2013, which instructed all party units to root out such manifestations of Western values as an independent media, civil society, and constitutional democracy. See C. Buckley, "China takes aim at Western ideas," *New York Times* (August 19, 2013); S. Lubman, "Document No. 9: The Party attacks Western democratic ideals," *Wall Street Journal* (August 27, 2013).

in official decision-making.[5] These reforms have included the promulgation of national Open Government Information (OGI) Regulations following local experiments in OGI; initiatives to promote public participation in law-making and administrative rule-making; and integration of citizen satisfaction surveys into criteria used to evaluate the performance of government officials. For example, OGI reforms now grant individuals the right to request information from the government and also instruct government agencies at different levels to disclose information of significant interest to the public – such as information related to government budgets and expenditures. In addition, the central government is expanding public participation through online notice-and-comment at various stages of the policy formation process, and today, all draft laws and regulations appear on the websites of the National People's Congress (NPC) and the State Council, China's top executive policymaking institution. Online consultation is expanding steadily at the provincial level as well.

In this book, we not only document the evolution and scope of these reforms across China, we also provide a systematic assessment by quantitatively and qualitatively analyzing the impact of participation and transparency on important governance outcomes such as reduced corruption and improved legal compliance and policy effectiveness. Comparing across provinces and over time, we provide evidence that increased transparency is closely associated with lower corruption, while higher rates of participation are effective in enhancing compliance and reducing disputes in the environmental and labor sectors.

We also investigate the motivations behind these reforms and ask a fundamental question: why would the leadership of an authoritarian regime voluntarily compromise its monopoly over information and decision-making? Existing literature does not offer a satisfying answer to this question. Cynics tend to see the reforms as mere "window dressing," providing a democratic veneer to an otherwise authoritarian system,[6] whereas optimists view the reforms as conducive to democratization by

[5] J. P. Horsley, *China Adopts First Nationwide Open Government Information Regulations*, Yale China Law Center Working Paper (2008); Horsley, *Public Participation in the People's Republic: Developing a More Participatory Governance Model in China*, Yale China Law Center Working Paper (2009).

[6] X. Wang, *Public Participation and its Limits: An Observation and Evaluation on Public Hearings as Experimented in China's Administrative Process*, Yale China Law Center Working Paper (2003); M. Bristow, "China's democratic 'window dressing,'" *BBC News* (March 5, 2010).

introducing pluralism into policymaking, raising public expectations for political inclusion, and setting the stage for more accountable governance.[7] We depart from this simple dichotomy by exploring the possibility that the reforms have led simultaneously to improved governance *and* more effective one-party rule. While long-term prospects for democratic development remain unclear, we acknowledge that these reforms have increased popular aspirations for transparent and inclusive governance. This is potentially important for China's long-term political trajectory because democratic development elsewhere has been more stable and long lasting in countries that experienced more open and participatory institutions in pre-democratic periods.[8]

To investigate these issues and study the origins and impacts of the reforms, we divide the main body of our book into two parts. The first has three chapters on transparency, and the second has three chapters on participation. In each part, the first chapter presents the drivers and history of reform; the second provides our quantitative analysis and hypothesis testing; and the third presents case studies. The two parts are bookended by this introductory chapter and a concluding chapter which considers the implications of our research for the future of Chinese governance more generally. The result is a cohesive volume presenting a unique approach to analyzing changes in Chinese governance over nearly two decades.

In the remainder of this chapter, we analyze the theoretical puzzles and questions that inspired our research, examine the historical and political context from which the reforms emerged, and consider how these changes have energized Chinese citizens and raised their expectations about the quality and nature of governance. We also discuss our key research findings. Finally, we examine the trend toward enhanced political control and repression that began during the Hu-Wen period and has accelerated under the Xi Jinping administration since 2012. We return to these themes in our concluding chapter, further exploring the ramifications of the current leadership for the transparency and participation reforms.

[7] B. J. Dickson, *Democratization in China and Taiwan: The Adaptability of Leninist Parties* (Oxford: Clarendon, 1997); L. Diamond, "The rule of law as transition to democracy in China," *Journal of Contemporary China*, vol. 12, no. 35 (2003), pp. 319–31.

[8] J. J. Linz and A. C. Stepan, "Toward consolidated democracies," *Journal of Democracy*, vol. 7, no. 2 (1996), pp. 14–33; R. Mattes and M. Bratton, "Learning about democracy in Africa: Awareness, performance, and experience," *American Journal of Political Science*, vol. 51, no. 1 (2007), pp. 192–217.

1.1. Assessing Chinese Governance

The Chinese Governance Puzzle

Extensive research in comparative political economy offers persuasive evidence that good governance contributes to economic growth and development.[9] On almost every dimension, China has demonstrated dramatic and sustained progress in economic development over the past three decades. Yet, despite unprecedented economic growth and modernization, international measures of governance in China have not budged since the 1980s, as depicted in Figure 1.1. Is it possible that governance has played no part in China's success? Moreover, do we believe that in spite of China's dramatic socio-economic transformation, politics and government have remained unchanged?

In 2010, as described in the Preface, we assembled a group of Chinese and American researchers to investigate these questions, with the goal of providing a more nuanced picture of governance reforms and changes in China over time. To better understand the nature and impact of these reforms, we examined two aspects of governance in particular: *transparency* in the provision of information on government activities, processes, and regulations; and *public participation* in the formation of government policies. In addition, collection of comprehensive data on both transparency and participation facilitated statistical testing of well-known hypotheses on the relationship between transparency and corruption, on the one hand, and between participation and downstream compliance, on the other. Subsequently, following a mixed methods approach, the project teams carried out case study research in five provinces. Team members conducted interviews and collected primary materials to develop matched comparisons of provinces with diverse conditions and varying levels of participation and transparency. These provincial case studies complement the quantitative analysis by tracing causal mechanisms and accounting for threats to validity in our findings. The case studies also offer colorful examples of how the relationship between reform policies and governance outcomes operates in practice.

While our study aims to assess governance reforms in China based on the goals and aspirations espoused by the Chinese leadership, we

[9] D. Acemoglu *et al.*, "Institutions as a fundamental cause of long-run growth," *Handbook of Economic Growth*, vol. 1, no. 5 (2005), pp. 385–472; R. La Porta *et al.*, "The quality of government," *Journal of Law*, vol. 15, no. 1 (1999), pp. 222–79; D. Kaufmann *et al.*, "Governance matters," *Finance and Development*, vol. 37, no. 2 (2000), pp. 10–13.

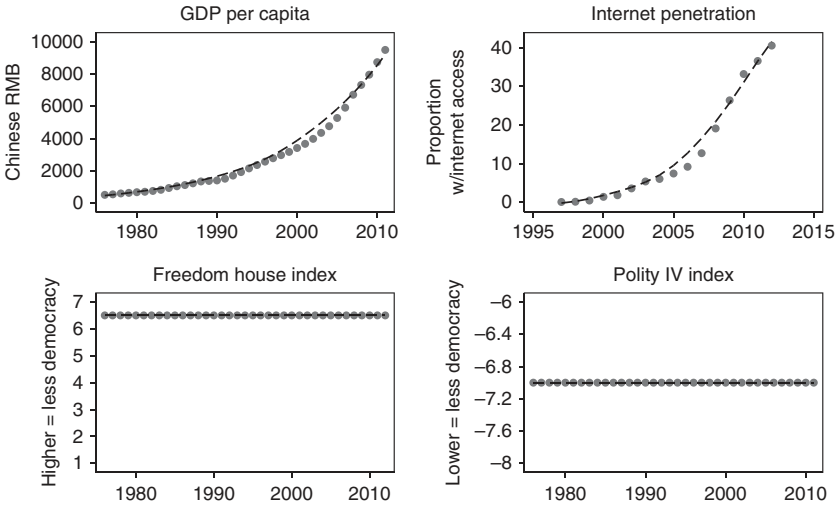

Figure 1.1 The China puzzle

Notes: GDP Per Capita is based on statistics from the World Bank's Development Indicators. Internet Penetration is calculated from reports published by the China Internet Network Information Center (CNNIC), a Chinese nonprofit. Freedom House and Polity IV scores are calculated from data published by Freedom House and the Polity IV project, respectively.

acknowledge that we were initially influenced by governance frameworks already established by international development institutions. These organizations define the concept of "governance" in different ways, but in general they focus on the institutional framework of public authority and decision-making. In this context, *good* governance typically refers to a set of admirable characteristics of how government should be carried out. According to the United Nations Development Program, for instance, good governance is participatory, transparent, accountable, effective, and equitable. It also promotes the rule of law.[10] During the course of our research, we discovered that Chinese leaders were themselves initiating reforms to improve governance in the realms of transparency and participation – albeit selectively – for their own reasons and instrumental purposes. In other words, these were not just foreign concepts imported

[10] As discussed in J. Stromseth, "Good governance and international development cooperation," in *Emerging Asian Approaches to Development Cooperation* (Seoul: Korean Development Institute and The Asia Foundation, November 2011), p. 97.

for political analysis, but, in a unique way, are also integral to Chinese approaches to governance reform.

Theoretical Foundations – Governance under Authoritarian Regimes

The substantive questions motivating this book are broad and empirical. What is China's governance strategy? Is it effective? Is it improving? These questions are just as relevant for China as they would be for France, India, or the United States. Yet the theoretical subtext behind the questions, especially given the case that we examine, cuts against conventional thinking on authoritarian regimes, which sees authoritarian rule and good governance as fundamentally incompatible. As Bruce Bueno de Mesquita and Alistair Smith point out, "When it comes to autocracy, bad behavior is almost always good politics," not the other way around.[11]

There are several reasons to think that authoritarian regimes are bad at governing. One is that they cater to narrow interests and therefore undersupply public goods.[12] For instance, an authoritarian government may have fewer incentives to fight crime and protect food supplies because ruling elites reside in gated communities and subsist on imported meats and produce. This may not always be due to neglect; extensive scholarship has shown that most authoritarian regimes collapse following splits between ruling elites. Focusing on narrow interests may thus be an optimal strategy for regime survival.[13] Another interpretation is that authoritarian institutions are simply ill equipped to deliver good governance. Nearly all autocracies decry government corruption, for example, but still leave officials to police themselves.

Little can be done about the first point. By definition, authoritarianism denotes the concentration of power in a single leader or a narrow elite. There is, however, ample diversity on the second, institutional dimension. Empirically speaking, the differences among authoritarian regimes are just as large as those between autocracies and democracies. Some are despotic and incompetent; others appear bureaucratically efficient and focused on economic growth. Some tolerate opposition parties and hold elections (albeit of dubious quality); others dispense with political

[11] B. B. de Mesquita and A. Smith, *The Dictator's Handbook: Why Bad Behavior Is Almost Always Good Politics* (New York: Public Affairs, 2011), p. 319.
[12] M. Olson, "Dictatorship, democracy, and development," *American Political Science Review*, vol. 87, no. 3 (1993), p. 567.
[13] See Chapter 1 of M. W. Svolik, *The Politics of Authoritarian Rule* (Cambridge University Press, 2012), pp. 41–5.

competition altogether by institutionalizing one-party rule into their constitutions.[14]

Political analysts tend to conceptualize variation in regime types along a spectrum – with totalitarianism at one end and democracy at the other. Indeed, the literature on comparative authoritarian institutions is filled with typologies that attempt to capture this gradation of nuance.[15] While our work does not reference such differences per se, dominant themes from this literature have direct bearing on the topic of governance. In particular, economists and political scientists argue that democratic institutions, such as elections and representative legislatures, are conducive to better governance and, by extension, growth.[16] In short, the closer a regime is to the democratic end of the spectrum, the better the quality of governance should be.

By these metrics, China poses an important puzzle because it is firmly positioned on the authoritarian end of the spectrum. Indeed, the PRC has never elected a national leader to office by popular vote,[17] nor has the ruling CCP ever tolerated the existence of any fully independent political party other than itself.[18] Yet since Mao's death in 1976, China has had no despots (i.e., an individual ruler operating with absolute power and without constraint) and has experienced five peaceful leadership transitions.

[14] For an extended discussion on these differences see J. J. Linz, *Totalitarian and Authoritarian Regimes* (Boulder, CO: Lynne Rienner, 2000), p. 343.

[15] B. Geddes, "What do we know about democratization after twenty years?" *Annual Review of Political Science*, vol. 2, no. 1 (1999), pp. 115–44; S. Levitsky and L. A. Way, "The rise of competitive authoritarianism," *Journal of Democracy*, vol. 13, no. 2 (2002), pp. 51–66.

[16] La Porta *et al.*, "The quality of government," pp. 222–9; Kaufmann *et al.*, "Governance matters," pp. 10–13; J. Gandhi and E. Lust-Okar, "Elections under authoritarianism," *Annual Review of Political Science*, vol. 12, no. 1 (2009), pp. 403–22; J. Wright, "Do authoritarian institutions constrain? How legislatures affect economic growth and investment," *American Journal of Political Science*, vol. 52, no. 2 (2008), pp. 322–43; C. Boix and M. W. Svolik, "The foundations of limited authoritarian government: Institutions, commitment, and power-sharing in dictatorships," *Journal of Politics*, vol. 75, no. 2 (2013), pp. 300–16.

[17] China does hold local elections for village leadership and for representatives in local people's congresses up to the district level in urban areas, and up to the county level in rural areas. However, because villages are not considered formal administrative units and because the legislature enjoys few de facto powers, such positions are typically not considered to be substantively important in Chinese politics.

[18] China does have a number of smaller parties that operate alongside the CCP. Specifically, eight minor parties – which trace their origins to the days prior to the founding of the PRC – are represented in the National People's Congress as well as lower congresses and government organs throughout the country. However, because these parties are vetted by the CPC and adhere to the CPC's "leading role" in politics, we do not consider them as independent political organizations.

Organizationally, the CCP leadership resembles an unelected board of directors, embodied in the Politburo Standing Committee (PBSC), which governs by consensus, not fiat, as far as we can observe.[19] In addition, policies emanating from this body have contributed to steadily improved living standards, as discussed above, and more foreign investment flowing into China than into any other economy in the world.

Some of these proclivities can be attributed to purely economic motives. For instance, one could argue that the CCP believes that the best way to enrich itself is by expanding the economy and preventing individual leaders from monopolizing wealth and power. As we document in this book, however, China's efforts to improve governance extend further and deeper than simple profit maximization. In particular, we show that China's leaders voluntarily disclose information that could incriminate them. They tolerate public criticism over how they govern and even adjust their plans in response to public input. Such actions arguably make it harder for Chinese governors to focus solely on economic growth, such as when environmental impact assessments thwart industrial development plans. These puzzling administrative reforms motivate our research.

So why, as we posed in the introduction, would an authoritarian regime relinquish its monopoly over information and decision-making? The cynical explanation is that transparency and participation reforms in the absence of competitive democracy are simply ornamental and have little, if any, impact on policymaking.[20] By contrast, optimists see such reforms as precursors of liberalization and democracy.[21] While the latter view may eventually prove accurate, it is fundamentally at odds with what many believe an authoritarian regime's core preference ought to be – namely, to stay in power.

There is a middle ground in this debate. For example, scholars of the late Soviet Union describe early policies for public inclusion not as formalities but as instrumental attempts to mobilize the public into policy implementation – especially on issues where regime capacity was itself

[19] This claim does not negate the factional infighting that transpires within the Chinese Politburo; what it does insist, however, is that no single member in the Politburo, not even the general secretary, has unilateral decision-making authority. On consensus decision-making, see A. Miller, "The Politburo Standing Committee under Hu Jintao." *China Leadership Monitor*, vol. 35 (Summer 2011), pp. 1–9.

[20] Wang, *Public Participation and its Limits*; Bristow, "China's democratic 'window dressing.'"

[21] L. Diamond, "The rule of law as transition to democracy in China"; B. He and M.E. Warren, "Authoritarian deliberation: The deliberative turn in Chinese political development," *Perspectives on Politics*, vol. 9, no. 2 (2011), pp. 269–89.

limited.[22] Similarly, China has established an array of "input institutions," which, according to Andrew Nathan, lead Chinese citizens to "believe that they have some influence on policy decisions" and "that the regime is lawful and should be obeyed."[23] By interpreting governance reforms as instrumental, this literature raises the prospect of a resilient authoritarianism whereby regimes negotiate their hold on power not simply by use of force but by delivering more stable and legitimate government.[24]

We share a similar, instrumental view of China's approach to governance and assume the regime has no intention of giving up its monopoly on power. To this end, any reforms it adopts should, in theory, contribute to its survival. Yet we also consider the possibility that these reforms have tangible effects on governance outcomes that are relevant and of interest to society as a whole, not just to those in power. Specifically, we argue that these reforms in fact deter corruption and improve compliance by engaging citizens in monitoring and decision-making. This instrumental interpretation does not preclude the possibility that administrative reforms could inadvertently facilitate or hasten a transition to democracy. Seen from the regime's vantage point, however, we consider China's turn towards transparency and open decision-making not as a stepping stone towards greater democracy but as a response to rampant corruption and weak rule of law – problems that the regime itself admits threaten its survival.

In making these claims, our work draws on well-established theories in the fields of political science, public administration, and even psychology. While we provide a closer examination of this literature in Chapter 2 and Chapter 5, we take the opportunity here to highlight several foundational arguments. In particular, our interpretation of the relationship between transparency and corruption is succinctly captured by McCubbins and Schwartz's theory of fire alarm monitoring, whereby citizens or media "pull the alarm" when they see wrongdoing.[25] Similarly, the literature on deliberative democracy views public participation as a source of information that leads to better choices,[26] and also as a motive for compliance

[22] J. F. Hough and M. Fainsod, *How the Soviet Union Is Governed* (Cambridge, MA: Harvard University Press, 1979), p. 693; P. G. Roeder, "Modernization and participation in the Leninist developmental strategy," *American Political Science Review*, vol. 83, no. 3 (1989), pp. 859–84.

[23] A. J. Nathan, "China's changing of the guard: Authoritarian resilience," *Journal of Democracy*, vol. 14, no. 1 (2003), p. 13.

[24] Nathan, "China's changing of the guard"; M. K. Dimitrov, "Popular autocrats," *Journal of Democracy*, vol. 20, no. 1 (2008), pp. 78–81.

[25] M. D. McCubbins and T. Schwartz, "Congressional oversight overlooked: Police patrols versus fire alarms," *American Journal of Political Science*, vol. 28, no. 1 (1984), pp. 165–79.

[26] J. Elster (ed.), *Deliberative Democracy*, Cambridge Studies in the Theory of Democracy (Cambridge University Press, 1998), p. 296.