Written Testimony of Dr. Jessica C. Teets

Professor, Middlebury College

For the U.S.-China Economic and Security Review Commission

"CCP Decision-Making and the 20th Party Congress"

January 27, 2022

Chairman Bartholomew, distinguished Commissioners and staff, and fellow panelists, it is a pleasure to join you today. Thank you for inviting me to testify about changing Chinese political governance.

My remarks will focus on the governance consequences of increasing political centralization in China, and are based on research conducted for my current book project. The central point I wish to emphasize today is that Xi Jinping views political centralization as a corrective to governance problems that he inherited in 2012, such as corruption, little 'rule by law', and the loss of the Party's central leadership role. In response to these existential challenges to the political system, governance changes have focused on centralizing political power, resulting in less corruption and better policy implementation at the local level; however, these changes have also raised questions about the consequences, especially unintended ones, and the durability of this new governance system.

Process of Centralization
Political centralization has occurred through a number of mechanisms during the last decade:

- Creating **leading small groups** (LSGs) inside the Party to directly govern different policy areas, like economic reform and security, which moves power from the state to the Party
- Employing governance **campaigns**, like on environmental protection and poverty alleviation, to have Party work groups directly implement important policies at the local level
- Using **anti-corruption**/Party discipline campaigns and retirements/promotions to disrupt factional networks
- Providing more mandated **policy targets** for the promotion of local officials
- Using **digital governance tools** to directly monitor local governance

These mechanisms have shifted direct power to the Party and its leadership, and removed political opposition. Both facilitate centralized (or top-down) governance, in that the governance structure is less fragmented between Party and State, and between the central and local levels of government, removing much of the previous policy discretion in the system. Centralization results in less opposition and diversity, and more mobilization and standardization.

However, this does not mean that local discretion has entirely disappeared, or that Xi does not face policy opposition. However, local discretion is reserved for issues not prioritized by the central government, and opposition to policy directions is muted. Less information about dissatisfaction should not be mistaken for lack of dissatisfaction, but overall, Party leaders, local cadres, and citizens seem to support many of these changes in that they result in less corruption

and more standardization of rules and policies, including popular things like environmental enforcement (Gao and Teets, 2021).

Consequences for Elite Politics and Governance

Political centralization has resulted in less local discretion, more direct governance from the Party, and destruction of elite factions. These changes have important consequences for both elite politics and governance, which I outline below.

Elite Politics

Through personnel management strategies like retirement and promotion, and the anti-corruption and Party-discipline campaigns, Xi Jinping has destroyed the factional system of politics in China. Previously, factions allowed for policy opposition within the single-party system, and maintained power through promoting faction members more quickly and into key positions. To prevent conflict between factions and ensure support for a single leader, top positions were alternated between dominant factions. This made factions a powerful influence in policy outcomes and elite succession; however, this promotion power has now been removed and many faction leaders have faced retirement or corruption charges (Li 2019).

Now promotion is determined more on meeting governance targets in the cadre-evaluation system, and on loyalty to the Party (Manion and Li, 2021). This means that visible policy disagreement has disappeared, and it also changes the logic of ambitious elites. In a single-party system, political ambition must be channeled through the system such that elites join the Party-state and are promoted upward to top positions. Xi's personnel management changes have resulted in slower and uncertain career paths for new cadres. The ambiguity around the retirement age and the destruction of factions means that ambitious young cadres might not know if patience and loyalty will be rewarded with advancement into top rungs of power. Many of the past ways to accelerate promotion so that young cadres would reach top positions before aging out of the system no longer are viable, such as factional loyalty, local policy innovation, or fast economic growth. Instead, all cadres face the prospect of slow advancement through implementing central policies and Party loyalty, with the loss of local discretion and power. This results in less power, more responsibility, and uncertain rewards.

Although scholars do not observe much direct opposition, we do see frustrated ambition for younger cadres and potential instability over political succession. Xi will not be bound by previous conventions of alternating rule between factions, making it more unclear who might succeed him, which might be a source of potential instability (see McGregor and Blanchette, 2021).

Governance

Political centralization has a number of governance benefits, namely the reduction of 'policy implementation gaps' (non- or partial-implementation of central policies), less corruption, more standardization (rule by law), and increasing local-government transparency.

However, centralization has also resulted in reduced local discretion for policy experimentation, rigid policy implementation without local adaptation, and decreased morale among local officials.

Scholars and analysts often point to local discretion as an important source of regime resilience, in that local officials are able to adapt central policies to local conditions, such that the goals of the policy may be achieved without unintended consequences. For example, strict pollution standards might encourage firms in a wealthy province to invest in cleaner technology, while in a poor province will simply result in mass unemployment as polluting factories are forced to close. If local officials have discretion to implement certain parts of the regulation before others (sequencing) or slow down the implementation of the policy for those that need more time to transition (speed), they may be able to achieve both less pollution and less unemployment over time. Using the example of environmental regulatory enforcement, we see that this type of enforcement is a blunt-force instrument. For example, Gao Xiang and I (2021) find periods of under-enforcement followed by over-enforcement, with local officials shutting down factories regardless of unemployment impacts or factory progress toward environmental goals, and the policies adopted privilege technocratic solutions over citizen wellbeing and support (Li and Shapiro, 2020). In short, this approach is effective but not discriminating, and lacks the adaptability that many argue create 'authoritarian resilience' in ways that we normally do not see in other autocratic regimes.

Additionally, these tools rely mostly on punishment rather than incentivizing meaningful policy implementation and innovation, resulting in short-term enforcement at the loss of long-term innovation and citizen engagement. Previously, local policy discretion and promotion competition resulted in high levels of policy experimentation to solve local problems and improve governance. Under this new model, we observe mostly centrally designed and supervised policy experiments (Chen and Göbel, 2016). As local policy discretion was an important source of regime resilience, this is also a potential governance challenge for this more centralized model.

Overall, these changes result in less corruption (at least while the anti-corruption campaigns continue), standardized policy implementation (more "rule by law"), and loyalty directly to the Party leadership rather than to factional leaders. In short, this represents the development of a more centralized Party-state bureaucracy. This governance style faces the same problems that all rigid bureaucracies do: less innovation to solve local problems, inadequacy of "one-size-fits-all policies", challenges of collecting enough information, and of regulating elite ambition within the system.

However, it is important to note that these changes are uneven, and local and bureaucratic discretion remains outside of the core issues identified in political campaigns. It is more accurate to think of this as an ongoing process of centralization and bureaucratization, rather than a comprehensive new model.

Future Directions

As we approach the next Party Congress, I would expect that Xi Jinping's belief that the Party-state system was facing existential threats under the previous system makes any deviation from political centralization unlikely. Policy decisions will be made at the highest levels under 'top-level design', with less feedback or deviation from local officials or those with different policy preferences (see Ahlers and Schubert, 2022). Promotion decisions will be made based on effective implementation of central policies and zealous loyalty to the Party, with less space for officials with innovation

solutions to be quickly promoted to the top. This is the era of authoritarian bureaucrats, and not policy entrepreneurs.

Given this continued direction toward centralization, I would expect that as enough power accrues to the Party leadership and former veto players are pushed out of the system, we will observe policy reform in traditionally challenging areas, such as the urbanization-household registration nexus, advanced economic reform, and land reform. In the past, these reforms were not feasible because local or factional leaders opposed them, but now these changes may be made.

Policy Recommendations

Given these changes, how should U.S. policymakers understand governance and elite politics in this new system? Are all decisions directly made by Xi Jinping or are there other sources of political authority?

This more centralized system has created power consolidation around a few players with Xi Jinping as the key decisionmaker. In some ways, reduced political fragmentation makes understanding policy decisions easier, if these policies are no longer the result of compromise (consensus decision-making). However, it is a mistake to simply accept every political action as directly flowing from Xi Jinping for two important reasons. One, officials might act more aggressively in the direction they think Xi Jinping wants to signal loyalty and improve promotion chances. Anyone who has heard Xi's speeches or read government directives knows that these are usually not exceedingly clear but rather open to differing interpretations. This system is more centralized, but still open to mistakes or misinterpretations about intent or speed of desired changes. Two, in new and complex policy areas, Xi Jinping might not know his preferences, but these might develop through a process of learning and trial-error. In short, in policy areas where consistent trends develop or emerge as Xi's core focus, this is where observers should expect to understand these as governed by this new centralized 'top-level design' system. These areas will see more effective and rapid implementation at all levels.

Therefore, when determining how to understand political actions in China and design responses, U.S. policymakers should:

<div style="float:left">Governance</div>

- Differentiate "core" policy areas from other issues because these will have less possibility for change despite internal or external pressure;
- Expect more public-opinion pressure on officials because policy missteps will be attributed more to Xi Jinping with less blame redistribution to local governments directly impacting Party legitimacy;

<div style="float:left">Elite Politics</div>

- Understand that instability is likely to come from cadres at the local level or those with distinct policy preferences who have lost channels for policy debate and political advancement;
- Pay attention to the <u>issues</u> and <u>actors</u> when visible opposition is observed, especially around the issue of Xi Jinping's successor.

References

Ahlers, Anna L. and Gunter Schubert. forthcoming 2022. Nothing New under "Top-Level Design"? A Review of the Conceptual Literature on Local Policy-Making in China. *Issues & Studies*.

Chen, Xuelian and Christian Göbel. 2016. Regulations against revolution: Mapping policy innovations in China. *Journal of Chinese Governance*, 1(1), 78–98.

Gao, Xiang and Jessica C. Teets. 2021. Civil society organizations in China: Navigating the local government for more inclusive environmental governance. *China Information*, *35*(1), pp.46-66.

Li, Ling. 2019. Politics of Anticorruption in China: Paradigm Change of the Party's Disciplinary Regime 2012–2017. *Journal of Contemporary China* 28(115): 47–63.

Li, Zeren and Melanie Manion. 2021. The Decline of Factions: The Impact of Purge on Political Appointments in China. *Available at SSRN 3446354*.

McGregor, Richard and Jude Blanchette. 2021. *After Xi: Future scenarios for leadership succession in post–Xi Jinping era*. Joint Report of the CSIS Freeman Chair in China Studies & the Lowy Institute: www.csis.org/analysis/after-xi-future-scenarios-leadership-succession-post-xi-jinping-era.