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Autocracy With Chinese Characteristics
Beijing's Behind-the-Scenes Reforms
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Sooner or later this economy will slow,” the *New York Times* columnist Thomas Friedman declared of [China](#) ^[1] in 1998. He continued: “That’s when China will need a government that is legitimate. . . . When China’s 900 million villagers get phones, and start calling each other, this will inevitably become a more open country.” At the time, just a few years after the fall of the Soviet Union, Friedman’s certainty was broadly shared. China’s economic ascent under authoritarian rule could not last; eventually, and inescapably, further economic development would bring about democratization.

Twenty years after Friedman’s prophecy, China has morphed into the world’s second-largest economy. Growth has slowed, but only because it leveled off when China reached middle-income status (not, as Friedman worried, because of a lack of “real regulatory systems”). Communications technology rapidly spread—today, 600 million Chinese citizens own smartphones and 750 million use the Internet—but the much-anticipated tsunami of political liberalization [has not arrived](#) ^[2]. If anything, under the current regime of President Xi Jinping, the Chinese government appears more authoritarian, not less.

Most Western observers have long believed that democracy and capitalism go hand in hand, that economic liberalization both requires and propels political liberalization. China’s apparent defiance of this logic has led to two opposite conclusions. One camp insists that China represents a temporary aberration and that [liberalization will come](#) ^[3] soon. But this is mostly speculation; these analysts have been incorrectly predicting the imminent collapse of the Chinese Communist Party (CCP) for decades. The other camp sees China’s success as proof that autocracies are just as good as democracies at promoting growth—if not better. As Malaysian Prime Minister Mahathir Mohamad put it in 1992, “authoritarian stability” has enabled prosperity, whereas democracy has brought “chaos and increased misery.” But not all autocracies deliver economic success. In fact, some are utterly disastrous, including China under Mao.

Both of these explanations overlook a crucial reality: since opening its markets in 1978, China has in fact pursued significant [political reforms](#) ^[4]—just not in the manner that Western observers expected. Instead of instituting multiparty elections, establishing formal protections for individual rights, or allowing free expression, the CCP has made changes below the surface, reforming its vast bureaucracy to realize many of the benefits of

democratization—in particular, accountability, competition, and partial limits on power—without giving up single-party control. Although these changes may appear dry and apolitical, in fact, they have created a unique hybrid: autocracy with democratic characteristics. In practice, tweaks to rules and incentives within China’s public administration have quietly transformed an ossified communist bureaucracy into a highly adaptive capitalist machine. But bureaucratic reforms cannot substitute for political reforms forever. As prosperity continues to increase and demands on the bureaucracy grow, the limits of this approach are beginning to loom large.

CHINESE BUREAUCRACY 101

In the United States, politics are exciting and bureaucracy is boring. In China, the opposite is true. As a senior official once explained to me, “The bureaucracy is political, and politics are bureaucratized.” In the Chinese communist regime ^[5], there is no separation between political power and public administration. Understanding Chinese politics, therefore, requires first and foremost an appreciation of China’s bureaucracy. That bureaucracy is composed of two vertical hierarchies—the party and the state—replicated across the five levels of government: central, provincial, county, city, and township. These crisscrossing lines of authority produce what the China scholar Kenneth Lieberthal ^[6] has termed a “matrix” structure. In formal organizational charts, the party and the state are separate entities, with Xi leading the party and Premier Li Keqiang heading up the administration and its ministries. In practice, however, the two are intertwined. The premier is also a member of the Politburo Standing Committee, the party’s top body, which currently has seven members. And at the local level, officials often simultaneously hold positions in both hierarchies. For example, a mayor, who heads the administration of a municipality, is usually also the municipality’s deputy chief of party. Moreover, officials frequently move between the party and the state. For instance, mayors may become party secretaries and vice versa.

The Chinese public administration is massive. The state and party organs alone (excluding the military and state-owned enterprises) consist of over 50 million people, roughly the size of South Korea’s entire population. Among these, 20 percent are civil servants who perform management roles. The rest are street-level public employees who interact with citizens directly, such as inspectors, police officers, and health-care workers.

The top one percent of the bureaucracy—roughly 500,000 people—make up China’s political elite. These individuals are directly appointed by the party, and they rotate through offices across the country. Notably, CCP membership is not a prerequisite for public employment, although elites tend to be CCP members.

Within each level of government, the bureaucracy is similarly disaggregated into the leading one percent and the remaining 99 percent. In the first category is the leadership, which comprises the party secretary (first in command), the chief of state (second in command), and members of an elite party committee, who simultaneously head key party or state offices that perform strategic functions such as appointing personnel and maintaining public security. In the second category are civil servants and frontline workers who are permanently stationed in one location.

Managing a public administration the size of a midsize country is a gargantuan task. It is also a critical one, since the Chinese leadership relies on the bureaucracy to govern the country and run the economy. Not only do bureaucrats implement policies and laws; they also formulate them by tailoring central mandates for local implementation and by experimenting with local initiatives.

REFORM AT THE TOP

When Mao's successor, Deng Xiaoping, unleashed reforms, he maintained the CCP's monopoly on power. Instead of introducing Western-style democracy, he focused on transforming the Chinese bureaucracy into a driver of economic growth. To achieve this, he injected democratic characteristics into the bureaucracy, namely, accountability, competition, and partial limits on power.

Perhaps the most significant of Deng's reforms was a shift in the bureaucracy away from one-man rule toward collective leadership and the introduction of term limits and a mandatory retirement age for elite officials. These changes constrained the accumulation of personal power and rejuvenated the party-state with younger officials. Lower down, the reformist leadership changed the incentives of local leaders by updating the cadre evaluation system, which assesses local leaders according to performance targets. Since Chinese officials are appointed rather than popularly elected, these report cards serve an accountability function similar to elections in democracies. Changing the targets for evaluating cadres redefined the bureaucracy's goals, making clear to millions of officials what they were expected to deliver, as well as the accompanying rewards and penalties.

Breaking from Mao's fixation on class background and ideological fervor, Deng, ever the pragmatist, used this system to turn local leaders into more productive economic agents. From the 1980s onward, officials were assigned a narrow list of quantifiable deliverables, focused primarily on the economy and revenue generation. Tasks unrelated to the economy, such as environmental protection and poverty relief, were either relegated to a lower priority or not mentioned at all. Meanwhile, the goal of economic growth was always paired with an indispensable requisite: maintaining political stability. Failing this requirement (for instance, allowing a mass protest to break out) could cause leaders to flunk their entire test in a given year.

In short, during the early decades of reform, the new performance criteria instructed local leaders to achieve rapid economic growth without causing political instability. Reformers reinforced this stark redefinition of bureaucratic success with incentives. High scores improved the prospects of promotion, or at least the chances of being laterally transferred to a favorable office. Local leaders were also entitled to performance-based bonuses, with the highest performers sometimes receiving many times more than the lower performers. The government also began publicly ranking localities. Officials from the winning ones earned prestige and honorary titles; officials from those at the bottom lost face in their community. In this culture of hypercompetition, nobody wanted to be left behind.

Newly incentivized, local leaders dove headlong into promoting industrialization and growth. Along the way, they devised strategies and solutions that even party bosses in Beijing had not conceived. A famous example from the 1980s and 1990s are township and village enterprises, companies that circumvented restrictions on private ownership by

operating as collectively owned enterprises. Another, more recent example is the creation of “land quota markets” in Chengdu and Chongqing, which allow developers to buy quotas of land from villages for urban use.

Through these reforms, the CCP achieved some measure of accountability and competition within single-party rule. Although no ballots were cast, lower-level officials were held responsible for the economic development of their jurisdictions. To be sure, Deng’s reforms emphasized brute capital accumulation rather than holistic development, which led to environmental degradation, inequality, and other social problems. Still, they undoubtedly kicked China’s growth machine into gear by making the bureaucracy results-oriented, fiercely competitive, and responsive to business needs, qualities that are normally associated with democracies.

STREET-LEVEL REFORMS

Bureaucratic reforms among local leaders were critical but not sufficient. Below them are the street-level bureaucrats who run the daily machinery of governance. And in the Chinese bureaucracy, these inspectors, officers, and even teachers are not merely providers of public services but also potential agents of economic change. For example, they might use personal connections to recruit investors to their locales or use their departments to provide commercial services as state-affiliated agencies.

Career incentives do not apply to rank-and-file public employees, as there is little chance of being promoted to the elite level; most civil servants do not dream of becoming mayors. Instead, the government has relied on financial incentives, through an uncodified system of internal profit sharing that links the bureaucracy’s financial performance to individual remuneration. Although profit sharing is usually associated with capitalist corporations, it is not new to China’s bureaucracy or, indeed, to any premodern state administration. As the sociologist Max Weber noted, before the onset of modernization, instead of receiving sufficient, stable salaries from state budgets, most public agents financed themselves through the prerogatives of office—for example, skimming off a share of fees and taxes for themselves. Modern observers may frown on such practices, considering them corrupt, but they do have some benefits.

Before Deng’s reforms, the Chinese bureaucracy was far from modern or technocratic; it was a mishmash of traditional practices and personal relationships, inserted into a Leninist structure of top-down commands. So when Chinese markets opened up, bureaucratic agents naturally revived many traditional practices, but with a twentieth-century capitalist twist. Within the vast Chinese bureaucracy, formal salaries for officials and public employees were standardized at abysmally low rates. For instance, President Hu Jintao’s official salary in 2012 was the equivalent of only about \$1,000 a month. An entry-level civil servant received far less, about \$150 a month. But in practice, these low salaries were supplemented by an array of additional perks, such as allowances, bonuses, gifts, and free vacations and meals.

And unlike in other developing countries, supplemental compensation in China’s bureaucracy was pegged to financial performance: the central government granted local authorities partial autonomy to spend the funds they earned. The more tax revenue a local

government generated and the more nontax revenue (such as fees and profits) that party and state offices earned, the more compensation they could provide to their staff members.

What emerged was essentially a variant of profit sharing: public employees took a cut of the revenue produced by their organizations. These changes fueled a results-oriented culture in the bureaucracy, although results in the Chinese context were measured purely in economic terms. These strong incentives propelled the bureaucracy to help transition the economy toward capitalism.

A profit-oriented public bureaucracy has drawbacks, of course, and throughout the 1980s and 1990s, Chinese complained endlessly about arbitrary payments and profiteering. In response, from the late 1990s on, reformers rolled out a suite of measures aimed at combating petty corruption and the theft of public funds. Central authorities abolished cash payments of fees and fines and allowed citizens to make payments directly through banks. These technical reforms were not flashy, yet their impact was significant. Police officers, for example, are now far less likely to extort citizens and privately pocket fines. Over time, these reforms have made the Chinese people less vulnerable to petty abuses of power. In 2011, Transparency International found that only nine percent of Chinese citizens reported having paid a bribe in the past year, compared with 54 percent in India, 64 percent in Nigeria, and 84 percent in Cambodia. To be sure, China has a serious corruption problem, but the most significant issue is collusion among political and business elites, not petty predation.

Although none of these bureaucratic reforms fits the bill of traditional political reforms, their effects are political. They have changed the priorities of government, introduced competition, and altered how citizens encounter the state. Above all, they have incentivized economic performance, allowing the CCP to enjoy the benefits of continued growth while evading the pressures of political liberalization.

THE LIMITS OF BUREAUCRATIC REFORM

Substituting bureaucratic reform for political reform has bought the CCP time. For the first few decades of China's market transition, the party's reliance on the bureaucracy to act as the agent of change paid off. But can this approach forestall pressure for individual rights and democratic freedoms forever? Today, there are increasing signs that the bureaucracy has come close to exhausting its entrepreneurial and adaptive functions. Since Xi ^[7] took office in 2012, the limits of bureaucratic reform have become increasingly clear.

The Xi era marks a new stage in the country's development. China is now a middle-income economy with an increasingly educated, connected, and demanding citizenry. And the political pressures that have come with prosperity are, in fact, beginning to undermine the reforms that propelled China's rapid growth.

The cadre evaluation system has come under particular stress. Over time, the targets assigned to local leaders have steadily crept upward. In the 1980s and 1990s, officials were evaluated like CEOs, on their economic performance alone. But today, in addition to economic growth, leaders must also maintain social harmony, protect the environment, supply public services, enforce party discipline, and even promote happiness. These

changes have paralyzed local leaders. Whereas officials used to be empowered to do whatever it took to achieve rapid growth, they are now constrained by multiple constituents and competing demands, not unlike democratically elected politicians.

Xi's sweeping anticorruption campaign, which has led to the arrest of an unprecedented number of officials, has only made this worse. In past decades, assertive leadership and corruption were often two sides of the same coin. Consider the disgraced party secretary Bo Xilai, who was as ruthless and corrupt as he was bold in transforming the western backwater of Chongqing into a thriving industrial hub. Corrupt dealings aside, all innovative policies and unpopular decisions entail political risk. If Xi intends to impose strict discipline—in his eyes, necessary to contain the political threats to CCP rule—then he cannot expect the bureaucracy to innovate or accomplish as much as it has in the past.

Moreover, sustaining growth in a high-income economy requires more than merely constructing industrial parks and building roads. It demands fresh ideas, technology, services, and cutting-edge innovations. Government officials everywhere tend to have no idea how to drive such developments. To achieve this kind of growth, the government must release and channel the immense creative potential of civil society, which would necessitate greater freedom of expression, more public participation, and less state intervention.

Yet just as political freedoms have become imperative for continued economic growth, the Xi administration is backpedaling. Most worrying is the party leadership's decision to remove term limits among the top brass, a change that will allow Xi to stay in office for the rest of his life. So long as the CCP remains the only party in power, China will always be susceptible to what the political scientist Francis Fukuyama has called “the bad emperor problem”—that is, extreme sensitivity to leadership idiosyncrasies. This means that under a leader like Deng, pragmatic and committed to reform, China will prosper and rise. But a more absolutist and narcissistic leader could create a nationwide catastrophe.

Xi has been variously described as an aspiring reformer and an absolute dictator. But regardless of his predilections, Xi cannot force the genie of economic and social transformation back into the bottle. China today is no longer the impoverished, cloistered society of the 1970s. Further liberalization is both inevitable and necessary for China's continued prosperity and its desire to partake in global leadership. But contrary to Friedman's prediction, this need not take the form of multiparty elections. China still has tremendous untapped room for political liberalization on the margins. If the party loosens its grip on society and directs, rather than commands, bottom-up improvisation, this could be enough to drive innovation and growth for at least another generation.

CHINA AND DEMOCRACY

What broader lessons on democracy can be drawn from China? One is the need to move beyond the narrow conception of democratization as the introduction of multiparty elections. As China has shown, some of the benefits of democratization can be achieved under single-party rule. Allowing bureaucratic reforms to unfold can work better than trying to impose political change from the outside, since over time, the economic improvements that the bureaucratic reforms generate should create internal pressure for meaningful political reform. This is not to say that states must delay democracy in order to experience

economic growth. Rather, China's experience shows that democracy is best introduced by grafting reforms onto existing traditions and institutions—in China's case, a Leninist bureaucracy. Put simply, it is better to promote political change by building on what is already there than by trying to import something wholly foreign.

A second lesson is that the presumed dichotomy between the state and society is a false one. American observers, in particular, tend to assume that the state is a potential oppressor and so society must be empowered to combat it. This worldview arises from the United States' distinct political philosophy, but it is not shared in many other parts of the world.

In nondemocratic societies such as China, there has always been an intermediate layer of actors between the state and society. In ancient China, the educated, landholding elite filled this role. They had direct access to those in power but were still rooted in their communities. China's civil service occupies a similar position today. The country's bureaucratic reforms were successful because they freed up space for these intermediate actors to try new initiatives.

Additionally, observers should drop the false dichotomy between the party and the state when reading China. The American notion of the separation of powers is premised on the assumption that officeholders possess only one identity, belonging either to one branch of government or another. But this doesn't hold in China or in most traditional societies, where fluid, overlapping identities are the norm. In these settings, whether officials are embedded in their networks or communities can sometimes matter more than formal checks and electoral competition in holding them accountable. For example, profit-sharing practices within China's bureaucracy gave its millions of public employees a personal stake in their country's capitalist success.

Challenging these unspoken assumptions sheds light on why China has repeatedly defied expectations. It should also prompt the United States to rethink its desire to export democracy around the world and its state-building efforts in traditional societies. Everyone everywhere wants the benefits of democracy, but policymakers would be dearly mistaken to think that these can be achieved only by transplanting the U.S. political system wholesale.

As for other authoritarian governments keen to emulate China, their leaders should not pick up the wrong lessons. China's economic success is not proof that relying on top-down commands and suppressing bottom-up initiative work. In fact, it's the exact opposite: the disastrous decades under Mao proved that this kind of leadership fails. In Deng's era, the CCP managed a capitalist revolution only insofar as it introduced democratizing reforms to ensure bureaucratic accountability, promote competition, and limit the power of individual leaders. The current Chinese leadership should heed this lesson, too.

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