How China Is Ruled

BY MINXIN PEI

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The seeming resilience of the Chinese Communist Party (CCP) has been a source of amazed puzzlement and deep frustration for many Western observers and most of its governments. In the wake of the 1989 Tiananmen Square crisis and the collapse of communism in the former Soviet bloc shortly thereafter, many in the West thought the CCP's days were numbered. Indeed, the sense of impending doom had even gripped the imagination of China's ruling elites, who were besieged by international isolation, domestic political turmoil and economic stagnation in the immediate aftermath of the crackdown.

Today, portents of doom are distant memories. In the 18 years since the Chinese government suppressed the short-lived pro-democracy movement, CCP rule seems never to have been more secure. With its economy growing at double digits since the early 1990s, China has achieved its age-old aspiration of international greatness. Its prestige and influence abroad have soared to new heights. At home, the Party has apparently discovered the magic formula of blending authoritarian rule with pro-market economic policies to produce a growth miracle that has left most orthodox thinkers about political economy shaking their heads in disbelief. Pessimists who repeatedly predicted China's collapse in the past two decades—and there have been many—now invite ridicule. The prevailing wisdom in the West today is to be "long" or "very long" on China. Despite China's many obvious problems (such as high income inequality, sharp regional disparities and environmental degradation), we are told, you will lose your shirt betting against the Middle Kingdom.

The achievements of China's authoritarian model of economic development are of no mere academic interest. They present a serious challenge to the liberal orthodoxy founded on the belief that democracy and free markets go together in the development of successful societies. Today, China's economic success has called that belief into question in the developing world and inspired autocratic rulers elsewhere to emulate its resistance to democratization. Some strategists even worry that successful authoritarian regimes, especially in major powers such as China and Russia, could challenge the Western-led global liberal order.

Has China really found a magic formula for producing superior economic performance under authoritarian rule? Will the so-called Chinese authoritarian development model endure and spread? We cannot answer these two difficult questions without understanding how China is ruled today.

Learning from History

In many respects, the Chinese political system is neither fish nor fowl. Clearly, the label "communist" does not fit China, given its hybrid economy, integration into the global trading system, ideological poverty and pro-business government. But China is not market-based capitalism either. The CCP-controlled state remains deeply and extensively entrenched in the national economy, owning trillions of dollars in assets and monopolizing strategic sectors.

It is often tempting to compare contemporary China to South Korea and Taiwan during their high-growth phase under authoritarian rule (roughly from the early 1960s to the late 1980s). In other words, China is just another Asian dragon, albeit on a colossal scale. Such comparison, however, misses the crucial differences between today's China and the little dragons of yesterday. The direct involvement of the state in the economy is far more extensive and entrenched in China than it had ever been in either South Korea or Taiwan (based on the state-owned sector's contribution to gross domestic product, employment and ownership of assets). The degree of political control in South Korea and Taiwan in their authoritarian eras was also far less restrictive than it remains today in post-Mao China. For example, independent candidates could run for and win legislative seats at most levels of the Taiwanese government in the late 1970s. In South Korea, opposition forces could run for and win seats in the National Assembly under military rule:

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Opposition leader Kim Dae-jung almost won the presidency in 1971. Organized labor and radical students periodically challenged the military regime in Seoul. Such political space simply does not exist in China, even today.

However, China's strict bans on organized political opposition and social groups with political potential (such as independent labor unions, peasant associations or religious groups) do not preclude personal freedom. On the contrary, the average Chinese citizen enjoys more personal freedom today than at any time under Communist rule. Civic organizations devoted to leisure, charitable works and environmental protection are allowed. Physical mobility, both within and across borders, has increased beyond imagination: In 2005, more than 25 million Chinese citizens traveled abroad as tourists and private businessmen. Over 100 million rural migrants have settled in the cities. Restrictions on residency, employment, choice of marriage partners and personal lifestyle have all but disappeared. The Chinese state has shed puritanical pre-reform Communist codes in favor of far more selective prohibitions. With the exception of political coverage, Chinese media are every bit as lively and informative as Western media. China's artistic scene is experiencing a renaissance, as well.

If anything, the Chinese government may have gone too far too fast in permitting personal freedom while containing political threat. The best example is the Internet in China (or China's Intranet, according to critics). The Internet is too indispensable to China's urban elites for the government to impose stifling control on it. As a compromise, Beijing has set up a secret police force to monitor and censor the web's political content, but allows entertainment and commerce to flourish. The average Chinese Internet user has no trouble surfing gaming sites, online stores and even pornographic material, but cannot visit sites hosted by anti-government organizations such as Falun Gong or overseas dissident groups. Contrarian political postings in online fora are deleted immediately, as well. The Chinese government has made this delicate compromise work to its advantage. The Internet is now part of China's social, economic and cultural life, but not an instrument of subverting the Party's rule (as many had hoped or predicted)—at least not yet.

To build this contradiction-filled, hybrid, but seemingly effective political order, CCP leaders drew inspiration from the lessons of two pivotal late-20th-century events: the collapse of Soviet Communism and the Tiananmen crisis of June 1989.[1] Although initially shell-shocked, Party leaders soon began to reflect on the underlying causes of the Soviet collapse and the Tiananmen uprising. Most elite deliberations remain secret, but the essence can be gleaned from published official speeches, scholarly articles and government-commissioned studies.[2] The Chinese government designed its subsequent strategy to avoid repeating the mistakes of previous Chinese and Soviet leaders. Although distinct causes led to the implosion of the Soviet Union and the eruption of the Tiananmen crisis, Chinese leaders believed that similarly flawed domestic political strategies were ultimately responsible for both. They reached four basic conclusions.

First, disunity within the ruling elite is fatal to the survival of the Party, especially during a crisis. In the Soviet Union, the multiple fractures within its Communist Party created openings for the opposition and rendered it defenseless against a popular assault on its political monopoly. In China, the split at the top of the CCP in the 1980s was a critical factor in the Party's inability to suppress the so-called "bourgeois liberalization" (that is, pro-democracy) movement. During the incipient stage of the Tiananmen crisis, top-level disunity again prevented the Party from quickly and decisively snuffing out the protest movement.

Second, experimenting with democratic reform (*glasnost* and *perestroika*) courts regime suicide. The political monopoly of the Party is too brittle for such experimentation. One-party rule may be formidable in the absence of open defiance or any feasible alternative, but once a small political opening forms and organized opposition can mount a direct challenge to Party authority, reform can lead to a party-anni-

[1]See David Shambaugh, *China's Communist Party: Atrophy and Adaptation* (University of California Press, 2008).

[2]For example, *Dangjian yanjiu neican* ("Party-building internal reference"), No. 2 (2005); *Gaige neican* ("Reform internal reference"), No. 2 (2007).

An Internet cafe in China's Anhui Province

hilating revolution. In the Soviet case, Mikhail Gorbachev greatly accelerated the demise of the Soviet regime by naively trying to revive it with limited political competition. In China's own case in the 1980s, each time the Party permitted more intellectual freedom to explore political reform, pro-democracy intelligentsia and college students only demanded more.

Third, suppressing personal freedom and interfering in the private lives of ordinary citizens is not only a wasteful use of the regime's resources, it is counterproductive. Ruling parties practicing such petty despotism needlessly antagonize the majority of their citizens who are otherwise politically apathetic and hence harmless. In most societies, the administration of daily injustice and insult is often the surest way to fuel sedition. In the Soviet Union, the regime's restrictions on artistic freedom and popular culture not only made the country a drab place; it also stoked public ire toward the state. In the 1980s, the Chinese government launched frequent campaigns to limit personal freedoms and impose restrictions on popular culture. It fought, furiously but largely fruitlessly, against so-called "spiritual pollution", a label encompassing everything from liberal ideology to Western pop culture and pornography.

Fourth, co-opting social elites can broaden the base of the regime and strengthen its rule. The most lethal threat to a one-party state comes not from disaffected masses, but from frustrated, ambitious social elites whose upward mobility is blocked by an exclusivist regime. The Soviet regime marooned both economic and social elites (professionals and the intelligentsia). In the 1980s, the CCP banned private entrepreneurs from joining the Party, promoted only a small number of professionals to leadership positions and miserably underpaid the intelligentsia. These policies ultimately turned potential allies into leaders of the anti-regime movement.

In addition to the four lessons drawn from the Soviet collapse and the Tiananmen crisis, Chinese leaders identified two related strategic mistakes committed by the Soviet leadership. One was its miserable economic failure, and the other was an aggressive foreign policy that resulted in imperial overstretch and a ruinous arms race with the United States that made its economic shortcomings even more acute. That, in turn, deprived the Soviet regime of the resources necessary to maintain its hold on power. Thus, the CCP's most prudent strategy for sur-

vival should couple economic development with a moderate foreign policy that avoids confrontation with the United States. Not surprisingly, economic growth and a pragmatic foreign policy are now central to the Party's grand strategy.

China's New Order

The CCP gradually incorporated these four lessons into a set of domestic policies designed to transform it from a mass revolutionary party without refined governing tools into an elite-based ruling coalition adept in deploying the full range of the state's political, economic and repressive instruments to maintain power. Whatever labels China specialists have used to describe the essential nature of the regime—"market-Leninism", "neo-Leninism", "soft-authoritarianism", "neo-authoritarianism", "resilient authoritarianism", "developmental autocracy" and so on—the current Chinese political order rests on four pillars: an alliance among political, social and economic elites; the control and use of economic patronage to distribute the benefits of authoritarian rule among the elites; the application of selective repression against potential organized opposition and mass unrest; and the adoption of tactical policy tools to respond to public demands.

Alliance Among Elites: To be sure, Deng Xiaoping—a victim of the Cultural Revolution and architect of the country's modernization drive—understood the destructiveness of a fractious ruling elite. That is why he took several steps in the 1980s to improve the level of political security for selected technocrats and senior leadership positions in the Party-state. However, Deng's efforts were only partially successful. Although he made CCP power struggles less vicious and bloody, he was unable to prevent a showdown between liberals and conservatives during the student-led pro-democracy movements in 1986–87 and 1989. Forced to dismiss the two liberal protégés who carried out his reforms in the 1980s (Hu Yaobang and Zhao Ziyang), Deng saw the collapse of the uneasy grand coalition of liberals and conservatives he had cobbled together in the late 1970s.

Clearly, the post-Tiananmen purge of political liberals and the subsequent dominance of politically conservative technocrats have made today's Chinese ruling elite more ideologically homogeneous, despite continuing personality differences and factional affiliations. Chinese leaders may disagree over specific policies, but the bitter ideological struggle of the 1980s between reformers and conservatives has disappeared. Of course, the CCP has taken additional measures to preserve its unity and improve procedures for picking leaders and determining succession. The strict application of term and age limits has made the elites abide by at least some objective criteria in selecting leaders and has eliminated the risk posed by a long-serving strongman. Term and age limits have also increased the circulation among elites, so that more ambitious young men have a shot at senior posts. The realization that any top-level split could have disastrous consequences for the Party has also restrained top leaders in disputes over personnel choices and policy, making them more amenable to horse-trading and compromise. Remarkably, the post-1989 era has witnessed the only two instances of relatively smooth transition of power under Communist Party rule (from Deng Xiaoping to Jiang Zemin, and from Jiang Zemin to Hu Jintao), as well as the formation of delicately balanced top leadership teams.

Even more impressive is the Party's success in co-opting social and economic elites (professionals, the intelligentsia and private entrepreneurs) since the early 1990s. The co-optation of the urban intelligentsia, which provided the intellectual leadership of the 1980s pro-democracy movement, began shortly after the Tiananmen crackdown. The Party recruited large numbers of college students, professors and social scientists and appointed many to government positions. Today, the Chinese government may have more officials with graduate degrees than any other government in the world. At the same time, pay, benefits, perks and professional privileges for the intelligentsia were significantly increased. Of course, such benefits come with an implicit condition: They are available only to those willing to play by Party rules. Those foolish enough to defy the Party risk losing everything. The co-optation of the intelligentsia was one of the most dramatic success stories of the post-1989 order. Practically overnight, the intelligentsia morphed from ad-

versary to ally of the ruling elites.

The same strategy later lured in China's private entrepreneurs, who today play a critical role in the country's mixed economy. To be sure, Chinese private entrepreneurs are a diverse group, encompassing former government officials and state-enterprise managers who became business-owners through privatization, as well as genuine entrepreneurs who built their wealth from scratch. Ever fearful for the security of their property, China's private entrepreneurs were an easy target for Party cooptation. Party leaders initially viewed them with suspicion, but gradually recruited them into local legislatures and political consultative councils during the 1990s. (These positions confer social prestige and political status, but no real power.) In July 2001, Beijing formally announced a new policy of admitting private entrepreneurs into the Party, and this policy has so far proved effective. Academic studies of Chinese private businessmen show that this group tends to identify more with the values of the Party than with those of liberal democracy.[3]

The most telling evidence that the CCP has become an elite-based party is the change in the social composition of its membership. In 1978, workers and peasants accounted for 66 percent of the Party's 37 million members. In 2005, the combined share of workers and peasants fell to 29 percent of 70.8 million members. Eight percent of the CCP members were government officials, 23 percent were professionals, 30 percent were college students, and nearly 9 percent were in the military and armed police.[4]

Economic Patronage: In a post-totalitarian political system lacking both charismatic leadership and an official ideology, mass terror has been abandoned as an instrument of rule. China's authoritarian political order now rests instead on a significant degree of state control of economic assets and activities. Retaining the ability to use economic incentives is crucial for securing the loyalty of the key constituents of an elite-based alliance now composed of government bureaucrats, party careerists, professionals, the military, the secret police and family members of the ruling elites themselves.

The political necessity of a state-controlled economy, however, largely explains why China's pro-market reforms have sputtered in recent years. The Chinese state now accounts for about a third of GDP, owns the country's largest companies, and maintains either a monopoly or a quasi-monopoly in so-called strategic industries (energy, transportation, banking, financial services, telecom and defense). State-controlled and fully state-owned enterprises (SOEs) contributed nearly 60 percent of all fixed-asset investments made in 2005 (5.3 trillion yuan, or $700 billion). Most important, while China has abandoned price controls on nearly all retail goods and services, the state still sets two critical factor prices: capital and land. Low or negative interest rates allow the state to use household savings to keep the cost of capital low and subsidize favored sectors. Nominal state ownership of land and direct control of the sale of land-use rights have turned real estate into the most prized commodity with which to reward government insiders and the well-connected.

Members of the intelligentsia foolish enough to defy the Party risk losing everything.

State control of economic resources gives the Party the ability to retain the loyalty of its key constituents in several ways. First, the Party appoints all the senior or mid-level executives in state-controlled or state-owned enterprises. In 2003, roughly 5.3 million Party members (nearly 12 percent of its urban membership today) held executive positions in SOEs and state-controlled share-holding companies.[5] Second,

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[3]See Kellee Tsai, *Capitalism Without Democracy: The Private Sector in Contemporary China* (Cornell University Press, 2007); Bruce Dickson, *Red Capitalists in China* (Cambridge University Press, 2003); and Dickson, *Crony Capitalism in China* (Cambridge University Press, forthcoming).

[4]*Dangzheng ganbu wenzhai* (Party and government cadre digest) No. 12 (2002); CCP Central Organization Department data, reported in *Renmin Ribao*, June 19, 2006.

[5]See Minxin Pei, *China's Trapped Transition* (Harvard University Press, 2006).

economic patronage is crucial to pork barrel politics, Chinese-style. Government control of bank lending and regulatory approval of fixed-asset investments can balance regional or factional interests, improve the performance of favored regional leaders and channel resources to key constituent groups, such as the military, the police and regions identified by the top leadership as strategic for political or national security reasons.

Third, as in other economies with a high degree of state control, economic patronage in China directly benefits the family members, relatives and friends of the ruling elites. Although morally and politically corrupt, such crony capitalism is an indispensable instrument for smoothing out private conflicts over the distribution of the spoils in a semi-reformed economy, and for insuring against an uncertain future. The sweetheart deals awarded to insiders and their family members reinforce their affinity for the status quo, grant them an outsized share of a growing economic pie, and finance a lucrative exit from power when that becomes necessary.

Selective Repression: The rapid collapse of the Soviet Union convinced Chinese leaders that Mikhail Gorbachev's democratic reforms directly triggered the implosion of the Soviet Communist Party. To guard against such a danger, post-Tiananmen CCP leaders abandoned the kind of political reform they contemplated in the 1980s. Indeed, the subject itself became almost taboo; since 1989, reform has extended no further than mere administrative streamlining. In retrospect, the Party need not have worried so much about bottom-up pressures for political change in the 1990s. The chaos following the Soviet collapse and Russia's humiliation appeared to have a powerful impact on the Chinese public, convincing them that a similar democratic transition in China could lead to economic calamity and even national disintegration.

At the same time, the CCP has adopted a more refined and subtle approach to the use of the state's repressive apparatus in defending its political monopoly. The Chinese government now permits an unprecedented degree of personal freedom for the majority, but it targets opponents more efficiently and effectively. Whenever possible, well-known dissidents are "encouraged" to go into exile abroad instead of languishing in jail and becoming annoying symbols of human rights abuse. (Less well-known dissidents are not so lucky.) Enormous resources have been invested in the manpower and technology required to maintain effective surveillance of groups and individuals suspected of anti-government inclinations. The Chinese Internet police unit, allegedly 30,000-strong, is an illuminating example of this strategy. Selective press censorship ensures control of political information without suffocating coverage of pop culture and business.

In addition, new riot-police forces are now equipped to suppress the tens of thousands of riots that erupt throughout China each year. Believing that the Tiananmen crisis could have been averted had the government acted immediately and decisively, the Party now emphasizes rapid response to incipient signs of crisis: Authorities at all levels are to suppress all sudden, potentially destabilizing incidents. Local officials who fail to perform satisfactorily in handling such events risk dismissal. Of course, the Party would not hesitate to use overwhelming force to crush any organized challenge to its authority, as it did in rounding up the members of the tiny China Democracy Party in 1998 and in banning the Falun Gong in 1999.

Tactical Policy Flexibility: The CCP survival strategy, which depends on this iron triangle of an elite-based alliance, economic patronage and selective repression, may ultimately prove untenable. But in the past two decades, the CCP has demonstrated a remarkable degree of tactical flexibility whenever confronted with difficult policy challenges: the threat of a massive banking crisis in the late 1990s, the layoff of more than twenty million workers in SOEs, rural unrest caused by onerous taxes, and more besides. As long as solutions do not require democratizing reform, the Party is open to technocratic fixes to address them. Under President Hu Jintao, for example, the government has abolished agricultural taxes, pledged to improve social justice and increased public spending, albeit modestly, in response to public

dissatisfaction with deteriorating government services in health care, housing, education and environmental protection.

In part, China's growing civic activism and aggressive media has forced such policy flexibility upon the government. Over the past three decades, the Chinese public has become more demanding and assertive. The media, driven by intense commercial competition and a group of younger, more liberal journalists, aggressively tests the limits of CCP tolerance. Even though Chinese civic activists, liberal academics and journalists realize that it is still too dangerous to press the CCP for democratic reforms, they fully exploit the Party's weak points: its poor administrative competence and unimpressive performance record. As a result, CCP authority remains untouchable, but its policy mistakes and poor track record are fair game.

The cost of China's post-1989 strategy resides in its success: The Party has been so well protected that its own lassitude has led to internal decay.

This matters because performance now constitutes the CCP's only credible source of legitimacy. The Party has little choice but to respond to rising public pressures on its specific policy failures. It is a mistake, however, to interpret this responsiveness as evidence of increasing political accountability that could lead to democratization. It might lead that way in the fullness of time, but for the present the Party's responsiveness is more rhetorical than substantive. To the extent that greater responsiveness to public pressure and tactical flexibility improves the Party's performance, it is because of the enormous slack in the system, not because the Party concedes the democratic premise to its critics. Moreover, it is doubtful whether tactical adjustment can fully compensate for the flaws inherent in a survival strategy that relies mostly on political exclusion, economic patronage and selective repression.

This brings us to the inevitable question: Can China's new order endure? While the Party has outperformed even the most optimistic expectations since the Tiananmen crisis, its survival strategy is no longer suitable for dealing with future challenges. Its solution after June 1989 has now become its problem.

The essence of that solution, after all, was to construct a new ruling coalition and deploy more sophisticated instruments of power to defend the Party against society. The main cost of this strategy resides in its success: The Party has been so well protected that its own lassitude has led to internal decay. As has happened in other one-party states, ruling elites unrestrained by democratic competition, a free media, civil society and the rule of law all succumb to greed and corruption. Many of its privileged members, protected against democratic accountability and scrutiny, are avidly deploying the Party's political monopoly to maximize their own private rewards.

Such corrupt but rational rent-seeking behavior—motivated in no small part by the elites' own lack of faith in the durability of the new order—has gravely weakened the Party's corporate authority and undercut the state's performance in providing public goods. The lament of a former Vice Minister of Education that "policy cannot get out of *Zhongnanhai*" (where the central government is located), aptly captures the dilemma of a one-party state that is powerless to force its will on its own agents—this despite having erected perhaps the most elaborate defense against the onslaught of democratization in history.

To improve the odds that its rule will continue to thrive in the next two decades, the Party might want to take a new lesson, not from the Soviet collapse, but from evolutionary biology: The capabilities acquired by some species—certain extinct flightless birds, for example—that once upon a time improved their survivability proved fatal to them when the environment changed. Similarly, sticking with the post-1989 strategy would be extremely unwise for the CCP. If it realizes this and adopts a new strategy, what might it be? Alas, we do not know, for neither does the Party.