

Introduction

In 2011, peasant protests in Wukan village in Guangdong province attracted the attention of the media in and outside China.¹ The protests were provoked by the village cadres, who had sold land without informing or asking permission from the villagers. Although the village cadres were suspected of embezzling a large amount of money obtained through land sales, the other villagers were barely compensated. In September, the villagers began to stage protests in their village and in front of government offices after repeated but unsuccessful petitions. The village representatives negotiated with the town- and county-level authorities but failed to reach a satisfactory solution. In December, the city government of Shanwei solved the dispute by removing the village party secretary and the head while arresting five village representatives for instigating the protests.

The way the city government handled this case is familiar. It disciplined the conflict-provoking cadres to appease the disgruntled villagers while punishing the leaders of the protests or the activists to deter other troublemakers.² Most protest incidents end this way, but the Wukan case did not. The county-level authority claimed that all of the major issues raised by the peasants, including the village finances, land issue, and village election, had been resolved, yet the villagers were disappointed because they felt that the government's declaration was untrue. The protests recurred, and the conflict intensified when one of the detained village representatives died in police custody. The government claimed that the representative died of heart disease, a conclusion that the family and other villagers did not accept. Instead, they believed that the representative had died of wounds.

2 *Introduction*

The local government's failure to effectively solve the case and the constant attention of the media eventually led the provincial government to intervene. A team of around twenty high-ranking officials from about ten provincial Party and government agencies was sent to investigate the case. The team was headed by a vice provincial Party secretary, who was also a member of the central Discipline Inspection Commission; the deputy head of the team was a vice governor. When they took over the case, other detained representatives were released (two were on probation), and a reinvestigation into the cause of the representative's death was promised.³

The provincial leaders were dissatisfied with the local officials' performance. The head of the investigation team stated that the relationship between some cadres and the people was as incompatible as water and fire. Whether the people were facing difficulties was not these cadres' concern. The head of the team criticized the irresponsibility and irresponsiveness of some cadres, blaming them for failing to consider how the peasants who had lost land could make a living. He said:

In some places, the government continues to ignore the problems that have long been raised by the people. If the problem can be suppressed, the government will take immediate and harsh measures to suppress it. The next step is to postpone the settlement as long as possible. In the cadres' view, leaving the problems to their successors is preferable. Once they are transferred, whatever happens next will no longer be their business. This mentality is common among local cadres.⁴

Nevertheless, although the criticisms made by the investigation head seemed to be based on what had happened in the Wukan case, the team's attitude toward the local officials involved in the case was not critical. Indeed, the local officials had been irresponsible in addressing this case because between 2009 and 2011, before the large-scale protests began, the Wukan villagers had repeatedly appealed to fourteen government agencies. Despite the lack of response from local officials, the head of the team was positive about the efforts of the county and the city governments, claiming that their earlier efforts created conditions for the ensuing solution to the disputes.⁵

The Wukan case, one of numerous social protests in China in recent years, reveals the issue of local officials' accountability in the country. The dispute occurred at the grassroots level between the villagers and the village cadres, but neither the town government nor the county- or city-level

authority was able to handle it properly. Eventually, the provincial authority formed a team of high-ranking provincial officials to deal with it directly. This case also reveals the difficulties of using sanctions to ensure accountability. Although high-ranking officials were dissatisfied with the performance of the local officials, the former did not necessarily take punitive measures to deal with the latter.

In China, the performance of local officials is anchored to the fulfillment of their assigned responsibilities. For example, in the case of conflict management, government officials are assessed for their performance in maintaining social stability, and they will be disciplined if they fail.⁶ If the threat of discipline is credible, local officials need to be more responsive, either to accommodate the demands of the disgruntled or to silence them. However, this does not always seem to be the case. Although the central authority prioritizes building a harmonious society and allocates resources for this purpose, social conflicts continue to increase. For example, incidents of collective action in China increased by 14.6 times, from 8,700 to approximately 127,460, between 1993 and 2008.⁷ As the Wukan case shows, local officials may be exempted despite their failure in the management of social conflict.

Yet it would be misleading to conclude that Chinese local officials face little risk in failing to perform their duties. As a county Party secretary revealed, “Like scared birds, we are on high alert every day, worrying about production safety, sudden events, mass petitions, and other large-scale incidents that will result in punishment.”⁸ Others also admitted, “Given the various ‘one-item veto’ responsibilities, we wish we could keep one eye open even when we sleep. We are anxious all the time, fearing that we will be required to take responsibility.”⁹ Some local officials are punished or even jailed because of their failures in local governance.¹⁰

Why are some officials who fail to perform their duties tolerated, whereas others are punished? Answers to this question shed light on the issue of cadre management, governance, and state capacity in China.¹¹ This book addresses the issue of agent management in China by examining the political rationale behind the sanctioning of erring agents. Variations in the state’s attitudes toward malfasant officials reveal the political dilemma in disciplining state agents. On the one hand, unprincipled tolerance undermines regime legitimacy and the state’s authority. On the other hand, disciplining can be costly because the government relies on its agents instead of electoral support to stay in power and to govern.

How does the Chinese party-state deal with this dilemma of disciplining malfasant agents? This book shows that selective or differentiated discipline is a natural means of balancing the need for and the difficulties in disciplining agents on the part of the state authority. The issue then becomes the criterion that the state adopts in deciding whether and how an erring agent should be punished. Two factors significantly affect a malfasant official's likelihood of being punished: the severity of the consequences of the official's failure in performing his or her duties or in governance and his or her role or responsibility in the failure. However, the effect of these factors can be mediated by the cost considerations on the part of the state authority or individual leaders.

The selective use of discipline has important implications for the behavior of government officials in China. Differentiated discipline inevitably leads to compromise and to the tolerance of certain agents, thus undermining the credibility of discipline. However, the effectiveness of disciplining in China does not depend on the capacity of the state authority to detect and punish each erring agent but on the non-negligible threat it creates for malfasant agents when the state authority decides to mete out punishment.

Agents and Accountability

Solnick writes, "In any type of regime—from democratic to authoritarian—rulers need an apparatus to be able to rule. Before any set of leaders can think of governing a population, it must first resolve the problem of governing this state apparatus."¹² The state apparatus is operated by state agents. Skillful and loyal agents are an important component of state power because they determine the effectiveness of governance and thus affect the welfare of the public.¹³ However, individuals work for the government for different reasons, so the state cannot rely on the agents' goodwill to ensure their accountability; instead, the state has to regulate the agents' behavior. As Grant and Keohane point out, accountability "implies that some actors have the right to hold other actors to a set of standards, to judge whether they have fulfilled their responsibilities in light of these standards, and to impose sanctions if they determine that these responsibilities have not been met."¹⁴

In political contexts that involve the delegation of power, accountability is tied to the interaction between the principal that delegates the power

and the agents that are given the power and responsibility. Given that the delegation of power inevitably creates the agency problem, characterized by information asymmetries between the principal and the agents, on the one hand, and moral hazards on the other,¹⁵ the principal must take measures to ensure the agents' accountability.¹⁶ First, an alignment of interests can be formed between the principal and the agents, regardless of whether the alignment is based on material benefits or ideological attachment to the same cause. Second, the principal may design institutions *ex ante* to prevent agents from deviating from what the principal has planned. Third, the delegation authority may also take monitoring measures, such as the "police patrol," to detect malfeasance and supervise the agents.¹⁷ Finally, the authority can monitor agents by assessing the outcome of their performance or use *ex post* measures to ensure that the agents fulfill their assigned responsibilities.

Regardless of the measures adopted by the delegation authority, the underlying assumption about the effectiveness of these measures is that agents with good performance will be rewarded and that agents with poor performance or rule-violating behavior will be disciplined. Hence, a political system defines not only to whom an agent must answer but also the types of punishment to be meted out if he or she fails to be accountable.¹⁸ In other words, ensuring accountability requires two equally important measures: rewards and sanctions. O'Flaherty writes that "politics can be nothing more than meting out rewards and punishments, and doing so in a ham-fisted manner."¹⁹ Dunn also reveals that "for accountability to sustain responsiveness, it must be supported by sanctions and awards."²⁰ Therefore, principals need to provide positive rewards for those who account well for their work²¹ and to impose punishment on those who fail to perform their duties or deviate from the rules.²²

Nevertheless, the use of sanctions to deal with erring agents is not an easy undertaking. In theory, democratic governments generally face a stronger need for disciplining malfeasant agents than their nondemocratic counterparts do. In a mature democracy with elections, a free press, and the rule of law, politicians have limited discretion in protecting erring agents because they and their parties face electoral pressure. As Key suggests, "The only really effective weapon of popular control in a democratic regime is the capacity of the electorate to throw a party from power."²³ Moreover, given the rule of law, agents who engage in serious malfeasance are subject to legal punishment that is beyond the control of politicians.

However, even in democracies, politicians may avoid punishment. One reason is that voters may not have sufficient information to make the right judgment.²⁴ People's understanding of government behavior is constrained by "the sheer complexity of the social world" and their own "limitations of time and cognitive capacity."²⁵ Moreover, as Maravall points out, "Governmental action is multidimensional, and voters may want to reject some policies but retain others that they value. Incumbents will fully play a balancing game, making popular and unpopular policies interdependent. Also, citizens may dislike the opposition even more intensely."²⁶ Another reason is that a society or its constituents can be divided. For example, in India, corrupt officials are not punished partly because of the divisions among the constituencies. Politicians who are corrupt but are able to bring benefits to their communities are still acceptable to their communities. Sondhi writes that, in India, "it is no surprise, therefore, that at times the corrupt political leaders walk majestically to the court and acknowledge their supporters' greetings as if they were to receive an award for public service."²⁷ Thus, Limaye concludes, "A badly divided electorate cannot be expected to devise effective corrective action against political immorality."²⁸

AUTHORITARIAN GOVERNMENTS' DILEMMA

Although a democracy may not always ensure accountability, it is more conducive to accountability than alternative regimes.²⁹ Consequently, research on the monitoring of state agents in mature democracies tends to focus on the introduction of monitoring mechanisms such as "fire alarms," "police patrols," or other procedures that can prevent the agents' deviations.³⁰ It is generally assumed that the disciplining of agents who deviate from the rules or regulations is duly carried out.

Compared with democratic governments, authoritarian regimes face limited or no pressure arising from elections. Given their monopoly of political power and their control over the flow of information, authoritarian governments assume more autonomy or discretion in disciplining state agents. However, this discretion does not necessarily ease the issue of discipline. Authoritarian governments rely on their agents for governance and rule, and this reliance complicates the discipline. For one, the use of discipline demoralizes not only the disciplined agents but also their supporters. If the disciplining is not well institutionalized, consensus building is often needed in the decision making, which can be difficult because of factional

politics. Furthermore, serious disciplining of certain agents means wasting the resources invested in them. Because of their reliance on their agents, authoritarian governments tend to be more concerned with these difficulties or the costs of discipline.

Yet, a lack of discipline inevitably results in serious consequences or creates concerns for the party-state. One is that a regime's legitimacy will be damaged if the state authority fails to discipline malfeasant agents. Although authoritarian regimes do not rely on legitimacy for survival, they still face the legitimacy constraint and have incentives to build and shore up legitimacy. Authoritarian states with a higher level of legitimacy not only have a better chance of surviving crises but also avoid the cost of imposing strict and constant control over society.³¹ As Easton suggests, "A belief in legitimacy is necessary for the maintenance of support, at least for political systems that persist for any appreciable length of time," because legitimacy is a "belief in the right of authorities to rule and members to obey."³² According to Gamson, "The existing trust orientation toward authorities . . . affects the means of influence a group will use."³³ In other words, people are less likely to take action to overthrow a regime if they still believe in its legitimacy. Therefore, Saxonberg writes, "Even if the Soviet-type regimes never gained complete legitimacy in the sense of gaining popular support for the system, they certainly tried."³⁴

Moreover, tolerating malfeasant agents also weakens the state's authority or ability to enforce law and government policies, thereby directly undermining the effectiveness of governance and encouraging more misconduct.³⁵ An authoritarian government may be reluctant to pay the high cost of punishing its erring agents because the system is built on the support of such agents, but state agents can become predatory if they are not constrained and disciplined.³⁶ Worse, if the agents' malfeasance cannot be deterred in a timely manner, the state will lose control over the situation. A state's collapse is generally preceded by the unrestrained self-interested behavior of its agents. As Zartman writes, "Probably the ultimate danger sign [of collapse] is when the center loses control over its own state agents, who begin to operate on their own account. Officials exact payments for their own pockets, and law and order is consistently broken by the agents of law and order, the police and army units becoming gangs and brigands."³⁷

Rampant corruption in the former Soviet Union highlights both the difficulties in disciplining agents and the consequences of failing to impose

such discipline. Simis specifies two important reasons for the corruption in the Soviet Union. The first reason is the regime's fear of destroying the legend that was built up over sixty years by the propaganda machinery of the Soviet Union and the foreign Communist Parties. The legend concerned the infallibility of the Communist Party of the Soviet Union and its leadership, made up of chastely honest "servants of the people" whose personal needs were few and modest. The second reason is that there were simply too many corrupt officials to discipline, and it was too late for the government to stop the corruption:

Why are the authorities so tolerant of a corruption that has penetrated their own ranks? This tolerance—in a regime that is so forthright and ruthless in punishing all other crimes—is due first and foremost to the fact that too high a proportion of members of the ruling elite is itself involved in the corruption. The proportion is so great that not even the all-powerful Politburo wants to risk a general purge of the ruling elite or the open confrontation with this elite that would result.³⁸

Although the agents' malfeasance may not be sufficient to cause the immediate collapse of a regime, the emergence of a large number of malfeasant agents weakens the state's ability to govern and gradually removes its legitimacy. The long-term effects can be regime threatening. The collapse of the former Soviet Union was suggested to be related to the ineffective management of state agents. As Solnick argues, contrary to what is proposed in the extant literature, the Soviet system did not fall victim to stalemate at the top or to a revolution from below but rather to opportunism from within. He suggests that, even before Gorbachev, the mechanisms for controlling bureaucrats in Soviet organizations were already weak, giving these individuals great latitude in their actions. Once the reforms began, they translated this latitude into open insubordination by seizing the very organizational assets they were supposed to be managing. Therefore, the Soviet system suffered the organizational equivalent of a colossal bank run. "The decisive blow to the Soviet state and economy came from the disintegration of structural controls that kept 'the typical soldier or policeman or bureaucrat' loyal to the state. Once the *servants* of the state stopped obeying orders from above, its fate was sealed."³⁹ When the state lost control over its agents, "These officials were not merely stealing *from* the state, they were stealing the state."⁴⁰

The experience of the former Soviet Union suggests that the state's loss of control over its agents, many of whom were self-interested, was self-defeating. An authoritarian government must properly handle the daunting challenge of managing its agents because the way it addresses this dilemma affects not only its governance but also the regime's survival.

Managing State Agents in China

Due to the large administrative structure and vast number of agents in China, the management of officials has been a challenging task for the party-state. Similar to its counterparts elsewhere, the Chinese authority has adopted both rewards and sanctions to manage state agents. Aside from the efforts to build an efficient and functional government through structural reforms,⁴¹ the Chinese government has instituted rather comprehensive ways of assessing the cadres' performance. In the cadre evaluation system, the party authority is responsible for the selection, promotion, transfer, and removal of cadres using criteria such as qualifications, loyalty, and performance.⁴² Research on officials' accountability has investigated the use of rewards, particularly promotion. A number of studies suggest that seeking promotion is an important reason for local officials in China to perform their duties or to achieve more than what is required.⁴³ Specifically, local officials who have succeeded in economic development, as measured by the growth of GDP or the generation of fiscal revenue, have a better chance of obtaining promotion.⁴⁴

The central party-state uses performance criteria to control local officials' behavior.⁴⁵ Similarly, the cadre responsibility system is commonly used by upper-level local authorities to ensure their subordinates' accountability.⁴⁶ Under this system, leading officials are assigned responsibilities of varying importance and are under pressure to perform. Whiting showed that town and village officials promote rural industry either because of fiscal and political incentives or because they are under pressure to do so. The officials' performance in economic development, tax collection, and local development is connected to their personal income, promotion, and other consequences.⁴⁷ Edin suggests that the cadre responsibility system is not only a means to improve government efficiency but also a higher-level instrument to control lower-level agents and regulate central–local relations. She concludes that the Chinese state retains significant capacity to control and monitor lower-level agents.⁴⁸

Nevertheless, the cadre responsibility system has limitations. Landry maintains that the Chinese Party authority “is proving less able to develop incentive mechanisms that reward ordinary officials and penalize officials who do not perform.”⁴⁹ It has been found that most cadres are able to pass the performance assessment and are qualified for financial rewards.⁵⁰ Indeed, although performance assessment generates serious pressure on leading local officials, “the primary objective of evaluations was not to punish officials but to bring them in line with the policy and developmental requirements and to identify their problem solving capacity.”⁵¹ It therefore remains to be explained how the state authority applies sanctions in cadre management.

An analysis of the state authority’s use of sanctions is crucial to understanding government officials’ behavior in China. McCubbins, Noll, and Weingast point out that, when agents are given the discretion to choose, the “power to choose is the power to manipulate, hold up, and extract.”⁵² Chinese state agents who are assigned multiple responsibilities assume discretion in prioritizing their responsibilities in light of their careers or personal interests, resulting in selective policy implementation.⁵³ Policies that are perceived to be of low priority tend to be ignored by local officials. For example, a former deputy minister of the Ministry of Education lamented that “The most severe problem that China faces today is that policies are not being well enforced. Policies made in Zhongnanhai [that is, by the central government] are ignored outside Zhongnanhai.”⁵⁴ Chinese officials can afford to ignore certain policies because they believe that doing so does not carry serious political risk.

Therefore, the Chinese state’s ability to ensure the accountability of its agents is inconsistent. While the party-state retains power in pursuing certain policy goals,⁵⁵ various types of malfeasance persist among government officials. Examining how sanctions or disciplinary measures have been applied to erring agents sheds light on state capacity. This book explores agent management in China by focusing on the political rationale behind the state’s use of selective or differentiated discipline.

USE OF SANCTIONS

For analytical convenience, Chinese government officials’ malfeasance can be divided into two categories: (1) immoral and illegal self-regarding behavior and (2) duty-related malfeasance. Immoral and illegal self-regarding

behavior refers to activities performed to achieve self-interests or illegal personal gains, such as corruption. Duty-related malfeasance refers to rule- or law-violating activities associated with an agent's performing of his or her duties, including failure to perform and dereliction of duties. Compared with duty-related malfeasance, illegal behavior for personal gains is less justifiable, either ideologically or legally.

Chinese local officials' malfeasance has persisted ever since the Communist Party came to power. Like other authoritarian governments, the Chinese government is under pressure to discipline erring agents for two reasons. The first is the legitimacy constraint. The Chinese party-state is motivated to shore up legitimacy and is more likely to do so when it already enjoys a relatively high level of legitimacy. Various surveys have consistently shown that the Chinese people have a rather high level of political trust in the government,⁵⁶ especially the central government.⁵⁷ The party-state's wish to gain and sustain legitimacy constitutes a pressure of accountability. When failing to discipline erring agents is believed to damage the regime's legitimacy, the state authority comes under pressure to mete out punishment.

The second reason is the state authority's concern over its authority. Specifically, the state needs to punish agents who violate laws, rules, or government policies or who fail to perform their duties, to protect its authority and deter deviations. In a political hierarchy, the top-level authority will lose its reputation and control over its agents if it fails to duly punish erring agents.⁵⁸ Relaxed discipline leads to the "leakage of authority" at lower levels of the hierarchy. Downs explains how the leakage of authority occurs as orders pass through the levels of a political hierarchy: Official A issues an order to B, but B's own goals indicate that his commands to his subordinate C should encompass only 90 percent of what he believes A actually has in mind. If C thinks in the same way, by the time A's order reaches level D officials, these officials will receive commands encompassing only 81 percent (90 percent of 90 percent) of what A really intends.⁵⁹ Such leakages cumulate when many levels are involved, which can have a striking effect on the effectiveness of orders issued by top-level officials.⁶⁰ In agent management, the leakage of authority may result in unprincipled tolerance of erring agents at lower levels.

These two needs or constraints constitute significant pressure on the party-state in agent management in China. Given that the Party

monopolizes political power and is responsible for cadre management,⁶¹ the operation of disciplinary agencies is influenced heavily by the Party authority or its leaders.⁶² Decisions on important issues, including the punishment of important officials, are influenced or decided by important party and government leaders at each level, often through consensus building. However, power comes with responsibility. The need for disciplining agents generally translates into the *positional responsibilities* that decision makers, as the power holders, need to fulfill to meet the expectations of either the public (for central leaders) or the upper-level authorities (for local leaders) or both. Such positional responsibilities dictate that the state authority's tolerance of erring agents is conditional.

Nevertheless, the state authority at each level relies on lower-level agents for governance, and the leaders also face difficulties or costs in disciplining the agents. The leaders' cost considerations can be related to their personal and organizational interests. Decision makers can be connected to the erring agent because of patron–client relations or personal connections. Officials at different levels can also be connected because they are both responsible for an undesirable event or have engaged in corruption. At other times, the decision makers are constrained by considerations tied to organizational interests, such as protecting the agents' morale, maintaining the stability of institutions or unity among decision makers, or covering up and thereby tolerating agents' malfeasance to protect the regime's legitimacy.

Given the need for and cost of disciplining agents, both disciplining and tolerance are possible in agent management. Whether an erring agent is to be tolerated largely depends on the severity of the consequence of the agent's malfeasance (that is, consequence severity) and the agent's responsibility for the malfeasance (that is, blame attribution). State agents, including high-ranking officials, are most likely to be punished if their behavior directly causes severe consequences, such as damaging the regime's legitimacy, violating laws or rules, or challenging the state's policy priorities, or involves serious failures in governance or duties.

Agents who are not directly responsible for problems with severe consequences may still be disciplined if the authority faces pressure to show its accountability and to prevent similar problems from recurring. However, as there is an issue of fairness in blaming or attributing responsibility in such cases, there is room to manipulate the discipline. Agents who are held accountable for severe problems that are not directly caused by them may be

forgiven or rehabilitated later on. In other words, their political careers may not be significantly and adversely affected.

Understandably, the state authority or its decision makers face substantially less pressure to mete out punishment if the consequences of an agent's malfeasance are not severe, regardless of whether the agent is directly responsible for the problem. In other words, when agents' malfeasance falls into the zone of tolerance of the state authority, they are generally exempted. State tolerance is the reason for the persistence of state agents' abuse of power and other types of malfeasance.

Depending on the degree to which an agent's malfeasance is perceived to be forgivable, the state authority may exercise leniency in meting out punishment through the use of various methods that can reduce the effect of discipline. One way is to give the agent a lighter punishment, which is possible because of the availability of multiple modes of discipline. Government officials are subject to party discipline, government or administrative discipline, organization-based discipline, and/or legal punishment (see Chapter Three). Each mode of discipline specifies varying degrees of punishment severity. Severe forms of discipline include expulsion from the Party, termination by the government, and prosecution in court. Once an official has been severely disciplined, his or her political career will probably be at an end. However, the availability of different disciplinary modes gives the authorities and pertinent leaders the discretion to mete out punishment, enabling them to protect agents they favor. For example, instead of criminal punishment, they may impose administrative or party discipline.⁶³

Another way of reducing the effect of discipline on targeted agents, at least those who are not being punished because of their pursuit of illegal personal gains such as corruption, is to exercise *ex post* leniency. Specifically, this leniency is usually wielded when disciplined officials commit less severe malfeasance, commit malfeasance to fulfill assigned responsibilities, or shoulder the blame for upper-level authorities as scapegoats. Often, a punished official who has been removed from his or her post can later be assigned a new post of a similar or slightly lower administrative rank.

Thus, an agent's malfeasance can be ignored, covered up, or investigated, and the agent can be tolerated or disciplined depending on the severity of the consequences, the attribution of responsibility, and the decision makers' cost considerations. The coexistence of tolerance and discipline by no means implies that discipline has no credibility in China, because the pressure of

accountability that the state authority or the leaders face can be beyond the anticipation of malfeasant agents. Although some agents have been exempted or given less serious punishments, whether a particular agent will be held liable may not be predetermined. Inconsistency in the disciplining of erring agents implies uncertainty. When the party-state decides to mete out punishment, the penalty can be harsh and career ending. For this reason, state agents in China are strongly motivated to avoid blame and punishment by adopting various strategies, from covering up their malfeasance to seeking help through personal connections (see Chapter Six).

Middle-Level Agents and Selective Accountability

To understand the disciplining of government officials in China, where the majority of state agents work for local-level state agencies, it is essential to understand the role of upper-level local authorities. In 2003, for example, there were about 6.4 million public servants in China. Of these, 7.5 percent worked for central state agencies, 8.4 percent for provincial agencies, 22.7 percent for city-level agencies, and 61.4 percent for county-level agencies (44.7 percent) and town authorities (16.7 percent).⁶⁴ The *nomenklatura* system also includes a large number of government-appointed cadres in non-administrative public agencies such as schools and hospitals and in state-owned businesses.

In this political hierarchy, direct monitoring and disciplining of the numerous local agents is beyond the capacity of the central authority. Consequently, the power and responsibility for monitoring local agents is inevitably delegated to upper-level local party and government authorities. These upper-level local leaders assume a double identity: They are agents of upper-level authorities, including the central government, and also the principals of lower-level officials. Given their position, the behavior of these middle-level principals significantly affects policy enforcement and the accountability of local governments and their officials.

EXCESSIVE EFFORTS VERSUS LEAKAGE OF AUTHORITY

The double identity of middle-level principals affects their interactions with their principals and their agents.⁶⁵ Local officials are delegated various responsibilities that they inevitably prioritize, and their prioritizing is significantly shaped by how they are assessed. Officials who are motivated

to seek promotion devote more resources, energy, and attention to the responsibilities or “hard targets” that bear most directly on their tenure and promotion.⁶⁶ They extend fewer efforts to those that do not weigh much on their career. Such prioritizing may lead to the officials expending excessive efforts on outrunning their peers or to the phenomenon of “leakage of authority.”⁶⁷

Studies on the behavior of Chinese local officials show that China’s rapid economic development is to a large extent due to the incentive structure instituted by the party authority. As elsewhere, agents who highly value their promotion goals find that “no matter how far one has climbed, there is always the same distance to go.”⁶⁸ Promotion seekers resort to various means to achieve good performance or make up good performance to outrun their peers.⁶⁹ This promotion-seeking motivation and the adoption of excessive measures have a long history in China. Kung and Chen show that the radicalism during China’s Great Leap Famine had much to do with the promotion-seeking desire of alternate members of the central Party committee.⁷⁰ In recent years, environmental pollution and social conflict in China have also been associated with local officials’ motivation to achieve good performance.

Career-driven local officials have weak incentive to fulfill responsibilities that do not significantly affect their careers, especially when they believe that such responsibilities are not the priorities of the central authority either. When managing agents, local leaders or middle-level principals must fulfill their positional responsibilities to meet the expectations of the upper-level authorities and sometimes the public. However, local leaders are unlikely to put excessive effort into disciplining agents to outrun their peers, because such actions are costly and not a major criterion for assessing their performance. Compared with central leaders, local leaders face a different incentive structure in dealing with malfeasant subordinates. Specifically, protecting regime legitimacy is not the prior concern of local leaders because they are not the primary representatives of the regime.⁷¹ As agents of the central party-state or upper-level superiors, local leaders’ primary concern is to show their accountability to upper-level authorities. They come under pressure to punish their subordinates when the latter’s malfeasance is known to the central- or upper-level authority and the public.

Leakage of authority occurs in the punishment of malfeasant agents when local leaders believe that disciplining officials is not a top priority of

the central authority. Cost considerations sometimes serve as an incentive for local leaders to tolerate or even protect their subordinates. The possible leakage of authority constitutes a serious pressure on the central authority and prompts it to showcase the disciplining of some erring agents because unprincipled tolerance can only amplify the demonstration effect at the local level.

MIDDLE-LEVEL PRINCIPALS AND LOCAL INITIATION OF REFORM

The tolerance or leniency exercised by the state authority has important implications for officials' behavior. On the one hand, tolerance means that discipline is not a credible threat to some state agents, leading to the persistence of officials' malfeasance, such as corruption, abuse of power, and other forms of conflict-provoking behavior. At both the central and local levels, tolerance may also create a so-called protection umbrella that undermines people's confidence in the disciplinary institutions or even the political system.⁷² These resulting problems are a serious concern of the party-state, indicating a strong need for the rule of law and the strengthening of disciplinary institutions.

On the other hand, flexibility in the disciplining of government officials or leniency on the part of the party-state also creates political space for rule-violating reform in the political system. Decentralization in China grants local officials both power and responsibility in local governance. Given that the central government's policies may not fit local situations and prevent local development, local officials have modified, adapted, or even distorted policies to deal with their respective situations. Local officials may also initiate reforms to change existing policies or institutions.⁷³ However, the problem faced by reform-minded officials is that their practices may break or violate existing rules or even laws. Without the tolerance or support of upper-level local leaders or middle-level principals, local officials' reform efforts are unlikely to succeed. Therefore, the flexibility embedded in the disciplinary institutions creates pockets of innovation or reform. Such pockets of reform have proved to be crucial to the economic and political development of the country, as evidenced by the important reforms initiated by local officials, such as the dismantling of the commune system and the trial of the tax-for-fee reform. Local initiations contribute to regime resilience because they can serve as solutions to certain serious challenges faced by the party-state.

Note on the Definition of Government Officials

The former Soviet Union adopted the *nomenklatura* system for managing state agents. This system encompasses state employees whose appointments are decided by a Party organ of appropriate seniority, from the district committee up to the Politburo and the Secretariat.⁷⁴ Most of those (that is, 60 percent of the 750,000) included in the *nomenklatura* are responsible for the management of industrial and agricultural production or are employed in the science and education sectors. Party and government employees account for about 33 percent and others for about 7 percent.⁷⁵

The Chinese political system is modeled on that of the former Soviet Union, and the cadres are selected by upper-level authorities.⁷⁶ The concept of cadres, or *ganbu*, in China is also broader and includes Party, government, and army officials and also high-ranking employees in public enterprises, nonadministrative public agencies (for example, hospitals and universities), and mass organizations.⁷⁷ Only high-ranking cadres are included in the *nomenklatura* system.

As in the former Soviet Union, those who work in public enterprises account for the majority of the cadres in China.⁷⁸ In recent years, with the separation of public enterprises and nonadministrative public agencies from the government, lower-ranking cadres working in public firms and nonadministrative public agencies are no longer considered state cadres. The term *officials* is more frequently used to indicate cadres in party and government agencies. The revised Civil Servants Law that took effect in January 2006 states that civil servants in China include public employees who work in the government, Party, people's congress, political consultative conference, court, procuratorate, and organizations of democratic parties. This book focuses mainly on officials who hold administrative positions in Party and government agencies.

Organization of This Book

Chapter Two categorizes the officials' malfeasance into duty-related malfeasance and immoral and illegal self-regarding behavior. By examining government officials' malfeasance in different periods, this chapter shows that some types of malfeasance, such as corruption, have persisted in China ever since the Communist Party came to power, whereas others have existed only in certain periods because of the specific political environment. The

persistence of agents' malfeasance highlights the need for the continued monitoring and disciplining of state agents.

Chapter Three addresses the political rationale for disciplining state agents in China by exploring how the officials who are responsible for the discipline balance their positional responsibilities with cost considerations in managing agents. It highlights the severity of the consequences arising from an agent's malfeasance and the way blame or responsibility is attributed. However, the effect of consequence severity and blame attribution can be mediated by the state authority's cost considerations. This chapter also discusses why differentiated discipline can still be credible in China.

Chapter Four illustrates the political logic of disciplining state agents for duty-related malfeasance. Consequence severity and blame attribution combine to affect a malfeasant agent's likelihood of being disciplined. Using the case of conflict management, this chapter explores why some agents who fail to prevent social conflict are disciplined while others are tolerated. It also discusses the circumstances under which high-ranking officials are disciplined for their duty-related malfeasance. This chapter demonstrates how the state authority exercises *ex post* leniency in disciplining erring agents and discusses the reasons for such leniency.

Chapter Five focuses on the punishment of corrupt agents. The state authority often faces two choices in dealing with corrupt agents, in the sense that corrupt agents can only either be tolerated or imposed criminal charges. The cost of discipline is therefore salient in handling corruption cases. By exploring the detection, investigation, and punishment of corrupt agents, this chapter shows that the Party is often cautious in dealing with corrupt agents, especially high-ranking officials. Nevertheless, once the state authority, especially the central authority, decides to investigate and discipline corrupt agents, the punishments are likely to be severe. In this way, the central authority tries to demonstrate its commitment to eliminating corruption, thereby reducing the leakage of authority at the local level.

Chapter Six explores the strategies that Chinese government officials use to avoid responsibility and punishment. Traditionally, Chinese government officials cover up their malfeasance from upper-level authorities and the public. Malfeasant agents may also try to avoid responsibility by using justifications or excuses or by finding scapegoats. They will also seek leniency or protection from pertinent leaders when they are unable to cover up their malfeasance or defend themselves. These blame-avoiding activities may complicate the disciplining of officials.

Chapter Seven discusses the political implications of the flexible disciplining of state agents for economic and political development in China. Given the countrywide variation in local conditions, local officials may introduce initiatives or new policy measures to solve the practical issues they face. However, doing so may carry political risks because some of these local initiatives violate laws or government regulations. Flexibility or relaxation in the disciplining of government officials creates political space for such initiatives to be possible. Some local initiatives serve as important solutions to the practical problems faced by the central or other local governments and thus contribute to the resilience of the political system in China.

Chapter Eight concludes by discussing the political rationale behind the disciplining of state agents in China, highlighting both the constraints and the pressures faced by the state authority in dealing with erring agents. This chapter also discusses the political implications of such discipline for state capacity and governance in China.