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Decentralization and Veiled Corruption under China's "Rule of Mandates"

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Summary. — This paper shows why corruption is especially difficult to detect under China's system of decentralized authoritarian rule, which I call a "rule of mandates." Local officials must pursue high priority political targets but have immense discretion over which laws to implement. A relative standard for corruption consequently arises since non-implementation of laws may be mandate-serving or may be corrupt; and determining which requires extra information on *why* non-implementation occurred. The theory is supported by evidence from original survey and case research on the implementation of the village elections law. I discuss implications for anticorruption efforts, development patterns, and future research.
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Key words — Asia, China, corruption, authoritarianism, decentralization, rule of law

1. INTRODUCTION

Corruption in China is widely seen as an intractable problem despite the fact that the ruling Communist Party has publicly prioritized fighting corruption and issued ambitious reforms to do so. While studies of corruption in China have illuminated much about the patterns, causes, and consequences of corruption, there remains the puzzle of why the regime has so much difficulty fighting corruption despite the use of its powerful oversight and disciplinary systems. Prominent existing explanations for the regime's failure focus on lack of central commitment, resistance from local officials, and too-limited strategies. Beyond these factors, in this paper I propose an underappreciated institutional explanation: that China has a governing system in which it is inherently difficult to even *identify* corruption.

This explanation may seem counterintuitive, given the reputation of the Chinese Communist Party for invasive monitoring, but here I show why it may be an important missing part of the equation. My reasoning is *not* premised on the notion that the party's information on its officials is especially poor, but rather on the idea that the information the party requires to identify what it would count as "corruption" is unusually great and hard to obtain. This additional information burden arises, I argue, as a consequence of China's particular governing system, which I call a "rule of mandates" system, as opposed to a more familiar rule of law system.

Under a "rule of mandates," the regime does not hold its officials accountable to fixed standards but rather to relative standards. Instead of directing officials to implement the regime's laws and policies unconditionally, the party directs them to implement a subset of "mandates" according to their relative prioritization. As I invoke the term here, mandates do not simply represent an alternate set of laws parallel to the public body of laws. In contrast to a body of laws, mandates are directives that are hierarchically ranked against each other. Lower officials are expected to give more weight to the higher priority mandates, and they are authorized to adjust the implementation of laws and lower priority mandates to aim at the desired ends. In this system, the implementation of laws is thus conditional on their compatibility with higher priority mandates.

Under both a rule of mandates and a rule of law, we can think of corruption as occurring when officials deviate from the duties of public office for personal gain. Yet, identifying such a deviation from the duties of public office is much more straightforward under a rule of law system than under a rule of mandates system. When laws govern, the failure to implement laws and policies—a readily observable measure—is an indicator of a potentially serious problem, likely corruption. Yet when mandates govern, officials' failures to implement policies and laws are not red flags for corruption, so long as the deviations do not involve policies designated with the highest priority. The officials might have exercised their discretion to decide that a lower priority mandate, like environmental protection programs and the relevant laws, should not be locally implemented lest it hinder a higher priority mandate, like economic growth. Thus, in a rule of mandates system, the standard for corruption is a *relative* one. To have reasonable suspicion that officials are corrupt, leaders also need to evaluate *why* a law or policy was not implemented (unless the policies are designated as highest priority), not just see that it was not implemented. The information needed to make such an evaluation is detailed, costly to collect, difficult to analyze, and often unavailable.

In Part I of this paper, I develop the theoretical argument above and relate it to different ways of defining corruption and the problem of detecting corruption.

In Parts II, III, and IV of this paper, I ground the theory in survey and case evidence consistent with its arguments. While the data are not adequate to establish where corruption exists, it does establish that, under a rule of mandates, lower officials can easily veil corruption behind the rhetoric of meeting mandates. Original evidence pertaining to the implementation of China's village elections law is used to show that the rule of

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mandates system makes corruption particularly difficult to detect in China. First, I show that it is difficult for higher officials to obtain accurate information on the base line situation, the extent to which the election law was implemented in locales. Reports from local officials often seem unreliable when compared to reports from surveyed villagers.

Second, I show that it is even more difficult to interpret *why* the elections law was poorly implemented, as local officials generally claim that their interference with village elections was for the purpose of promoting one of the highest priority mandates, namely political "stability," even as the evidence is that their interference does not do so. Case study evidence shows how local officials may actually sometimes be hiding behind the mandates to shelter their own corruption.

In Part V, I conclude with a discussion of three implications. First, I underscore how the relationship between decentralization and corruption depends on broader governing institutions. Second, I discuss the possibility that a rule of mandates might be used in developmental ways and yet still destabilize over the long term. Third, I discuss why common approaches to anticorruption that are compatible with a rule of law are in tension with a rule of mandates.

2. THE RULE OF MANDATES AND THE CHALLENGES OF DETECTING CORRUPTION

China is relatively decentralized fiscally, yet centralized politically, in large part through a system of targets and incentives that control local cadres and influence which policies and laws they implement. Collectively, we can think of the targets and incentives as authoritarian mandates from above. Mandates differ from laws principally in that they are attached to hierarchical rankings such that higher priority mandates take precedence over lower priority ones. In practice in China, mandates are also typically hidden from the public, regard fewer issues in less detail, and call for adherence to particular outcomes rather than particular processes. These additional features also distinguish typical mandates from typical laws, but should not be mistaken for their defining feature. The key fact that mandates are ranked against each other means that not all policies need to be, or should be, pursued locally, depending on how they interact with each other and local conditions.

Under a rule of mandates, lower officials are given significant discretion; they are authorized to adjust the implementation of laws and lower priority mandates as they aim at the desired outcomes. This means that the standards for corruption are effectively relative rather than absolute, as explained below. This system is useful for the regime because it ensures that high priority targets will be locally implemented even when central officials have little knowledge of the local implementation challenges. Yet, I argue, one major drawback of the rule of mandates paradigm for China is that it makes it especially difficult to reliably detect potentially corrupt behavior. Because variations in the local implementation of central politics are *supposed* to occur under a rule of mandates, higher officials must know *why* variations occur in order to judge if the variations are the result of good-faith efforts to meet mandates or corruption. In this system, local corruption can easily mask itself as deference to the centralized mandates.

(a) *The rule of mandates model in China*

China's system for maintaining political control of lower level officials relies on well-defined incentives and sanctions designed to uphold party directives (Landry, 2008). Broad party directives, which are separate from if sometimes consistent with the public law, are issued at the highest level. Consistently among the highest national priorities are economic development, social stability, and the birth control policy, which are measured by figures such as income per capita, incidences of collective protests, and the population growth rate. At lower levels, more specifics are developed about the exact targets, priorities, reporting requirements, rewards for success, and penalties for failure; these thus vary from area to area. Local leaders now actually sign contracts that acknowledge the targets and terms surrounding them. The most serious targets are those with veto power (*yipiao foujue*), followed by hard targets (*ying zhibiao*), and soft targets (*yiban zhibiao*) (Heimer, 2006). Some laws and issues are such low priority that there are no targets corresponding to them.

Most important of all for cadres are the veto-level targets. If a township fails to meet targets with veto power by the end-of-the-year evaluation, the failure would eliminate all credit to township leaders for other successes achieved that year (Edin, 2003). Poor performance evaluations may not only result in the loss of an annual bonus or prospects for promotion of individual officials, but may even result in large fines and penalties for all their colleagues. In other words, the "cadre responsibility system" makes extensive use of strict liability, collective liability, and vicarious liability (Minzner, 2009). Collective responsibility implies that officials have an institutionalized individual incentive to aid their colleagues—or equally, to overlook or assist false reporting by their colleagues.

Mandates are pre-set, often by formula, and cover only a limited number of items that are hierarchically ranked against each other. For items that are high priority, accountability is tightly tied to apparent outcomes; for items that are low priority or not explicitly mentioned, there may be limited or no accountability at all. For instance, in one Shanghai county studied by Susan Whiting, growth in township- and village-run industries was worth up to 33 points, and "party building" activities like educating party members were worth 21 points—and provision of public education was worth only nine points (out of a possible total of 200 points). The specific formula used to evaluate performance in these areas was further specified, and depended on quantitative data such as the "increase in industrial profits" and "the completion rate for compulsory education" (Whiting, 2004). With such criteria, at its best, the cadre responsibility system is set up to incentivize a precise but narrow space of accountability. At its worst, it does not incentivize actual accountability but only apparent accountability, since the criteria for evaluation are often not directly visible to higher cadres so data may be easily fudged or made up by lower cadres.

Variation in the local implementation of laws is thus an inherent outcome of the rule of mandates, even in the absence of corruption. To meet the mandates, cadres are supposed to adjust the implementation of lower priority laws and policies to better meet higher priority targets. Moreover, unless public grievances pertain to a target, public pressure may be safely ignored by cadres. Effective public grievances are partly managed by secrecy; as explicit as the targets are to cadres, they remain mysterious to the public. Party directives and contracts are generally treated as confidential internal documents, so that the public generally remains unaware of the specifics or even the existence of them. At the same time, targets do not necessarily correspond to public laws let alone local public preferences, nor are they subject to them. In fact, in indicating to cadres which laws and issues to prioritize, and which they

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