
FACTIONS AND SPOILS: EXAMINING POLITICAL BEHAVIOR WITHIN THE LOCAL STATE IN CHINA

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While students of Chinese politics have long been interested in the impact of fiscal and administrative decentralization on patterns of governance in China, few have examined the impact of decentralization on political dynamics *within* the local state. Focusing on the county—the level of government primarily responsible for delivering public services, managing local state-owned enterprises, and coordinating the economy—this article explains how the pressures and incentives associated with decentralization have changed the “rules of the game” at the local level. It argues, in an in-depth study of a rural county, that local politics is driven largely by a competition over spoils and that competition over spoils is organized around a relatively stable system of factionalism. The first part of the article examines the emergence of local factions in County X and their relationship to the formal institutions of Party and government. The second part examines the resilience of local state factionalism and its implications for central government control and one-Party rule.

Studying the Local State in China

From the late 1970s, decentralization has heralded a fundamental shift in the way China is governed. Local governments were made directly responsible for governing the local economy, delivering public services and for raising revenues. By the 1990s China had become one of the most decentralized states in the world as measured by sub-national governments’ share of public expenditure.¹ Case studies from different regions taught us that China’s “local states” responded to the challenges of decentralization in different ways.² In the more industrialized regions, some local states were able to capitalize on

¹ Sub-national governments’ share of public expenditure in China was 78.7 per cent in 2009. Source: *China Statistical Yearbook 2009*, <http://www.stats.gov.cn/tjsj/ndsj/2009/indexeh.htm>, accessed 18 May 2010.

² Two useful overviews of the local state literature are: Tony Saich, “The Blind Man and the Elephant: Analysing the Local State in China”, in Luigi Tomba (ed.), *East Asian Capitalism: Conflicts Growth And Crisis* (Milan: Giangiacomo Feltrinelli, 2002), pp. 75-99; and Richard Baum and Alexei Shevchenko, “The State of the State”, in Merle Goldman and Roderick McFarquar (eds), *The Paradox of China’s Post-Mao Reforms* (Cambridge MA: Harvard

extant infrastructure to support further rapid industrialization. In these regions local governments could fund their mandates from the profits of state-owned enterprises or from taxes paid by new private firms. In the rural hinterland, however, cash-strapped local governments resorted to increasing taxes and fees on farmers—a phenomenon that became known as the “peasant burden”.³

Not surprisingly, the first studies of China’s local states focused on changing relations between state and society. A typology emerged in which local states were characterized as either “developmental”,⁴ “entrepreneurial”,⁵ “predatory”⁶ or “involved”.⁷ By focusing on changing state-society relations, however, the literature tended to overlook an important consequence of decentralization—namely, its impact on political behavior *within* the local state. In fact, a key weakness of the literature on local governance in China has been its tendency to treat the local state as monolithic, in contradistinction with society below or the central state above. Such approaches, particularly when unsupported by first-hand observations, have often been blind to the complexity of interests within the local state and the nature of contestation between such interests.

Fiscal decentralization placed new pressures on local administration, but it also placed new “prizes” in the local political arena. With the assets and regulatory powers of the state at their disposal, local officials were given wide latitude to pursue economic growth and collect revenue. In fact, it became the primary task of local governments to make money. Profiteering was tolerated, even encouraged, and large amounts of revenues could be moved off-budget to be used at the discretion of local officials—a trend that continues despite central government efforts to tighten fiscal discipline. Off-budget revenues often amounted to half or more of total local government revenues.⁸

University Press, 1999), pp. 330-60. On local state variation, see especially Elizabeth Remick, *Building Local States: China During the Republican and Post-Mao Eras* (Cambridge MA: Harvard University Press, 2004).

³ Thomas P. Bernstein and Xiaobo Lü, *Taxation Without Representation in Contemporary Rural China* (New York: Cambridge University Press, 2003). See also Linda Chelan Li, “Working for the Peasants? Strategic Interactions and Unintended Consequences in Chinese Rural Tax Reform”, *The China Journal*, No. 57 (January 2007), pp. 89-106.

⁴ Marc Blecher and Vivienne Shue, *Tethered Deer: Government and Economy in a Chinese County* (Stanford: Stanford University Press, 1996).

⁵ Jane Duckett, *The Entrepreneurial State in China: Real Estate and Commerce Departments in Reform Era Tianjin* (London: Routledge, 1996).

⁶ Minxin Pei, *China’s Trapped Transition: The Limits of Developmental Autocracy* (Cambridge MA: Harvard University Press, 2006).

⁷ Tao-chiu Lam, *The Local State under Reform: A Study of a County in Hainan Province*, PhD Dissertation, Australian National University, 2000. For an overview of the large number of typologies that scholars have produced to characterize China’s local states, see Richard Baum and Alexei Shevchenko, “The State of the State”.

⁸ On the role of off-budget revenue in China’s local public finance, see Fan Gang, “Market-oriented Economic Reform and the Growth of Off-Budget Local Public Finance”, in Donald J. S. Brean (ed.), *Taxation in Modern China* (London: Routledge, 1998); and

While allowing local governments to “make money” (*zhengqian* 挣钱) relieved the fiscal burden on the center, it also led to rent-seeking on a scale unprecedented in contemporary China. The pressure and opportunities to raise revenue in an environment in which financial accountability and transparency mechanisms were weak led to an explosion of official corruption. Much has been written about the explosion of official corruption in the era of economic reform but, rather than use corruption as the frame of analysis, this study is interested in the institutional dynamics that have made certain acts of official corruption possible, desirable and sometimes necessary for local political actors. Specifically, I ask how (i) the pressure to generate revenues, (ii) local fiscal autonomy, and (iii) increased opportunities for profiteering have reshaped the rules of the game of local politics. I argue that the competition over sources of revenues, while not readily visible to outside observers, has become a key driver of local politics. This competition largely plays out within the Party-state apparatus, although it increasingly involves non-state actors. It also tends to be structured, not by formal organizational boundaries, but by informal coalitions of officials dispersed across multiple agencies. As the example of County X reveals, inter-group competition within the state has become highly factionalized. While factionalism is considered by many to be an integral part of Chinese national politics, few have studied factionalism closely at the local level.⁹

The Emergence of Factions in County X

County X is a rural county with a small but growing industrial base. Agriculture, once the largest industry, now accounts for only one-third of economic output. Mining, energy and tourism account for increasingly large shares of the county’s GDP. The state sector still dominates the local economy, although the private sector has expanded in recent years and now accounts for approximately 40 per cent of economic activity. As in many other parts of China, the local economy has been

Christine Wong and Richard Bird, “China’s Fiscal System: A Work in Progress”, in Loren Brandt and Thomas Rawski (eds), *China’s Great Transformation: Origins, Mechanisms, and Consequences of the Post-Reform Economic Boom* (New York: Cambridge University Press, 2008).

⁹ The following works are key studies on factionalism in contemporary Chinese politics. Notably, all are concerned with élite politics. For an overview, see the collection of articles in *The China Journal*, No. 34 (1995), later published as Jon Unger (ed.), *The Nature of Chinese Politics, from Mao through Jiang* (New York: M. E. Sharpe, 2002); and Lowell Dittmer and Yu-Shan Wu, “The Modernization of Factionalism in Chinese Politics”, *World Politics*, Vol. 47 (7 July 1995), pp. 467-94. For an historical treatment of factions in élite Chinese politics, see also Jing Huang, *Factionalism in Chinese Communist Politics* (New York: Cambridge University Press, 2000). For recent studies of China’s élite factions, see Cheng Li, “One Party, Two Factions: Chinese Bipartisanship in the Making?”, paper presented at the conference on “Chinese Leadership, Politics, and Policy”, Carnegie Endowment for International Peace, 2 November 2005; and Wang Zhengxu, “Hu Jintao’s Power Consolidation: Groups, Institutions and Power Balance in China’s Élite Politics”, *Issues and Studies*, Vol. 42, No. 4 (December 2006), pp 97-136.

growing steadily since the 1980s, with local incomes more than doubling in the first decade of the 21st century alone. As in many other parts of China, local government has been a catalyst for much of this growth, both in providing the infrastructure for private economic activity and by engaging directly in profit-making activities, either through state-owned enterprises or through public-private partnerships of various sorts.

As in other parts of China, fiscal decentralization gave local officials in County X wide latitude in directing local economic activity. Already in control of the key factors of production, local officials now had the power to deploy assets in ways that maximized local comparative advantage. Within this environment a new class of entrepreneurial officials emerged—officials whose success was increasingly dependent on their ability to mobilize resources and generate revenues rather than on their ideological “correctness”. The local economy began to grow and revenues began to flow, but in a political system predisposed to rule by man and administrative fiat, opportunities for self-enrichment abounded. In County X, as across China, “bureaupreneurs” were able to use their political and economic powers to build independent kingdoms (*duli wangguo* 独立王国) and personal fortunes based on patronage and influence. Following Lü Xiaobo, I use the term “bureaupreneur” because it neatly encapsulates both the developmental and predatory dimensions of local state entrepreneurialism.¹⁰

In the more industrialized parts of China, the first generation of local “kings” built their kingdoms with the profits of state-owned enterprises. The same was true of County X, except that, in the 1980s, local state revenues came from natural resource exploitation rather than manufacturing. County X’s first bureaupreneurs made profits by selling raw materials to factories in the more industrialized regions. As the market for timber grew, huge profits could be made by exploiting the difference between the market price and the price paid to villagers for felled trees. Profits could be made on the books and off the books, for example by harvesting beyond official quotas and selling the extra timber through informal channels. Many of County X’s new bureaupreneurs in the 1980s were men who controlled lucrative timber mills—mostly at the township and county levels. Mining was another important source of revenue. According to retired officials who served during the period, those quickest to rise to senior positions in the county and district level governments were officials from the townships richest in resources. Advancing to senior posts in county and district government bureaus and Party agencies gave the bureaupreneur more influence over local policy and state assets, including a greater ability to protect and expand private business interests.

As the economy grew and opportunities for wealth accumulation increased, political competition became more intense. Rival local bosses gained power (*shili* 势力) which was rooted both in their formal public authority (*gongquan* 公权) as well as

¹⁰ See Xiaobo Lü, “Booty Socialism, Bureau-preneurs, and the State in Transition: Organizational Corruption in China”, *Comparative Politics*, Vol. 32, No. 3 (April 2000), pp. 273-94.

in their ability to mobilize resources and political support through informal networks. Rivalries intensified as the spoils of office grew larger. Rivalries between two government bureaus over the control of a major project would might actually boil down to rivalries between two men who controlled the different departments. By the same token, departments that collaborated on public projects often built their collaboration on the basis of factional or other informal ties.

As political competition intensified, the most powerful of local “bosses” in the county administration continued to invest in the expansion of their patronage networks. Dispensing patronage allowed them to advance in the local state hierarchy and recruit supporters into positions beneath them as they rose. This gave them greater access to information as well as a greater capacity to coordinate across multiple government and Party agencies. These informal networks became an essential source of political power in a fast-changing political system characterized by bureaucratic indiscipline and fragmented authority.¹¹

As the economy grew and public administration became more complex, patronage networks in County X began to evolve into relatively stable factions. While there has been disagreement over the applicability of the concept of “factionalism” to Chinese politics,¹² my investigation into the political dynamics of County X suggests that the factional model is a useful way of understanding political behavior within the local state. Informal networks within County X were relatively organized, existed within the context of a large organization, namely, the Party-state, and competed with one another for power advantages within this larger organization. According to Belloni and Beller, a faction can be understood as “any relatively organized group that exists within the context of some other group and which (as political faction) competes with rivals for power advantages within the larger group of which it is a part”.¹³ “Factionalism” can be understood as “the competition between factions for scarce resources or power”.¹⁴ Local officials in County X also use the Chinese word for “faction” (*pai* 派) to refer to these groups, but only do so in private because factionalism is prohibited under Party regulations.

¹¹ Kenneth Lieberthal and Michel Oksenberg, *Policy Making in China: Leaders, Structures, and Processes* (Princeton: Princeton University Press, 1988).

¹² See Tang Tsou, “Prolegomenon to the Study of Informal Groups in CCP Politics”, *The China Quarterly*, No. 65 (March 1976), pp. 98-114. The debate resurfaced in a 1995 issue of *The China Journal* in which Nathan and Tsou reasserted their positions. Nathan restated his case for a structural approach in the language of the new institutionalism. See Tang Tsou, “Chinese Politics at the Top: Factionalism or Informal Politics? Balance-of- Power Politics or a Game to Win All?”, *The China Journal*, No. 34 (July 1995), pp. 95-156; and Andrew Nathan and Kellee S. Tsai, “Factionalism in Chinese Politics from a New Institutional Perspective”, in Jonathan Unger (ed.), *The Nature of Chinese Politics*, pp. 161-75.

¹³ Frank P. Belloni and Dennis C. Beller, *Faction Politics: Political Parties and Factionalism in Comparative Perspective* (Santa Barbara: ABC Clio Press, 1978), p. 419.

¹⁴ Jeremy Boissevain, “Faction”, in Aolam Kuper and Jessica Kuper (eds), *The Social Science Encyclopedia*, 3rd edition (London: Routledge, 2004), p. 289.

Factions in County X are patronage-based networks that operate within the local Party-state apparatus. They derive their strength from the capture of bureaucratic power. In the language of Andrew Nathan's analysis of China's elite politics, factions grow like "vines" on the "trellis" of the formal Party-state administration.¹⁵ For a faction boss, this means securing positions of influence for one's people (*zijiren* 自己人). The evolution of Faction A—County X's second most influential faction—is illustrative. Faction A's progenitor—a member of County X's first generation of bureaupreneurs—used his political talents and control over revenues from local enterprises in his home township to climb through Party and government ranks during the 1980s, eventually rising to the position of governor of the district—the administrative level between the county and the province.¹⁶ From this commanding height, he was able to dictate the appointment of many county officials. During his term as governor he recruited dozens of men from his home district into positions in township, county and district governments, promoting the most talented among them to head the most powerful local bureaus. After six years as district governor he was subsequently promoted to the powerful position of Deputy Party Secretary of the Provincial Party Committee. From there he was able to continue to ensure that his network dominated politics in the district and below. By the time of my first visit to County X in the late 1990s, even though the township had become an economic backwater through the depletion of its natural resources, the faction had already established a firm power base within the Party-state apparatus. Between 2005 and 2008, officials from Faction A occupied key positions in local Party and government, including, District Deputy Party Secretary, United Front Bureau Chief, the Deputy District Governor (formerly head of the Transport Bureau), the Agriculture Bureau Chief and, importantly, the Human Resource Bureau Chief. Other townships with similar socio-economic indicators had produced nowhere near as many county and district officials.

As the example of Faction A illustrates, factional bosses tend to recruit from sources they can trust. Because native place association remains a strong bond in Chinese society, it is not surprising that recruits are drawn from a faction boss' home township. This practice is so well established that the four factions identifiable in County X all take their names from the township of origin of their leaders and the majority of their members. Where recruitment takes place outside of the faction chief's native place, the recruit is almost always from a region that does not support a county faction of its own. Other ties may also bind the individual to the group—usually friendship, kin relationship or shared experience in the army or the bureaucracy, providing the faction with more than one potential source for recruitment. The existence of "emotional" ties between group members is the reason that one critic rejects the use of the term "faction" in Chinese politics, but this rests on an assumption that factions must be organized solely on the basis of instrumentality. I argue that,

¹⁵ Andrew Nathan, "A Factionalism Model for CCP Politics", *The China Quarterly*, No. 53 (1973), pp. 33-66.

¹⁶ In many parts of China the district level is a municipality.

while the purpose of factions is instrumental, a relatively stable factional system has emerged in County X partly because there *are* culturally sanctioned bonds between group members. These bonds are an important source of factional strength and resilience in the face of central government efforts to instill greater fiscal discipline, strengthen accountability mechanisms and punish the most egregious cases of official misconduct. In fact, increasing bureaucratic complexity has arguably made factions an indispensable resource in local politics.

The same bureaucratic complexity has made it increasingly difficult for a single “independent kingdom” to dominate political and economic affairs in the county. Instead, a dominant faction becomes first among equals in new and evolving forms of political competition within the local state. Parallels can be seen at the center of Chinese politics today, where the Shanghai faction of former President Jiang Zemin continues to flex its muscles in different policy arenas even while the inland (Communist Youth League) faction of current President Hu Jintao and Wen Jiabao occupies the Party and government’s most senior positions. In County X, the most senior posts were occupied by Faction B, but Faction A wielded a significant portfolio of positions that rivaled Faction B in influence over important local decisions.¹⁷

To understand a faction’s base of power within the local state, it is important to understand the specific sources of bureaucratic power. Factions derive power from control over decision-making processes, but also from access to on-budget and off-budget revenue streams. This means that not all the sources of factional power are immediately obvious to the outside observer. By interviewing both currently serving and retired officials, I was able to identify the prize posts over which factions compete. The strongest factions command a portfolio of positions that provide access to state projects, planning, information and economic decision-making powers—the wider the portfolio of positions, the greater the magnification of power.

I have divided the most coveted positions in the local state into four categories: (1) leadership of bureaus with large budgets for social services, (2) leadership of bureaus that regulate the private sector, (3) leadership of bureaus with control over discretionary revenue streams (I call these bureaus the “quiet earners” because their bureaucratic power is often otherwise limited), and (4) “veto player” positions—positions with authority over personnel appointment and recruitment.

Category 1: Bureaus Controlling Social Services and Infrastructure

These are the county bureaus that have large budgets to implement ongoing programs and projects. Examples include bureaus that control public construction projects, public transport and education. The urban construction bureau is particularly powerful

¹⁷ During the debate on factionalism in China’s politics, Andrew Nathan argued that Chinese élite politics was characterized by *primus inter pares* factional struggle. Tang Tsou argued that inter-group rivalry must result in the domination by one and the elimination of the other for political equilibrium to be restored. While Tang’s might have been more accurate in an earlier era, I argue that the complexities of governing China today probably preclude the domination of one intra-state group. See Note 12.

because it also acts as a regulatory bureau. Other bureaus without large annual budgets for regular programs may also fall into this category if they have access to grants for rural development projects. These agencies include those in charge of agriculture, forestry and water management. Bureau chiefs responsible for these projects are in a position to award lucrative contracts. Contracts can be awarded to a company controlled by the factional boss or a factional ally. Sometimes, a number of senior factional players can benefit through cascading sub-contracts. If a contract or sub-contract is awarded outside the family—for example, to a non-local firm—a substantial kickback can be demanded.

Category 2: Bureaus Engaged with the Private Sector

A second category of powerful bureaus are those directly responsible for regulating commercial activity. One of the foremost among these is the Tobacco Bureau. It operates like a private corporation, forcing contracts on farmers and reselling the tobacco at a hefty mark-up to cigarette manufacturers. Bureau chiefs can reinvest such revenue in other income-generating enterprises such as real estate and hotels, which they control. The Tobacco Bureau is seen as an attractive place to work because of the superior conditions it offers its employees, including large salary bonuses. The higher-paid jobs in this bureau are traded as favors and rewards.

Another important bureau in this category is the Electricity Bureau, which is involved in a number of public-private joint ventures for the production and sale of hydroelectricity. Hydroelectric power is sold to larger cities such as Guangzhou, many hundreds of miles away. Another major income-generating agency is the local Tax Bureau. This oversees not only taxable incomes but also enterprises with investments below 1,000,000 yuan (US\$140,000). Larger enterprises pay tax directly to the national Tax Bureau, which operates outside of local government authority. Taxes on local enterprises are determined by arbitrary estimation of gross income, giving tax agents significant discretionary power.

The Land Management Bureau is another in this category. In recent years local governments have become increasingly dependent on land sales to finance expenditure. As new businesses and industries open up they need access to land in and around urban areas. Local governments can sell state owned land for this purpose, but they can also facilitate the conversion of farmland to commercial land, profiting from transaction fees.¹⁸ Laws governing such transactions require that the Land Management Bureau first acquire the rights to the land from the farmers or farming collectives, before changing the land's classification status and on-selling the rights. The Land Management Bureau effectively acts as an intermediary in any commercial transaction, with opportunities for informal fee collection. While the

¹⁸ See Sally Sargeson and Song Yu, "Land Expropriation and Women's Citizenship Entitlements", *The China Journal*, No. 64 (July 2010), pp. 19-45, and You-Tien Hsing, *The Great Urban Transformation: Politics of Land and Property in China* (Oxford: Oxford University Press, 2010).

Land Management Bureau does not directly receive or manage large funds, its decisions can have enormous impact on the profits of parties to the land deal.

The Urban Construction Bureau has similar powers over commercial activity. This bureau regulates local private construction activity in the towns, issuing licenses, arranging loans and even making joint public–private investments.¹⁹ The bureau chief has regular contact with private investors, who will pay informal fees for assistance with the convoluted system of licensing and regulation, or with negotiating tax advantages, loans and joint ventures with public enterprises. More importantly, this bureau has the power to decide which firms get to operate in certain markets. If Faction A controls this bureau, for example, it can make business easy for Faction A’s firms (faction bosses and other powerful local officials all continue to own firms, but they are registered in other people’s names) and squeeze out competition from rival firms. In County X, when Faction B took control of the bureau, it used red tape to obstruct one local business monopoly, while arranging its replacement by another firm connected to the faction’s boss. According to insiders, this was done without specific instructions from the faction’s boss, but on the initiative of more junior members who that knew their chief would be pleased by the outcome.

Category 3: The Quiet Earners

Leadership positions in the “quiet earner” agencies, while often small and bureaucratically weak, are also hotly contested. What makes them attractive is their access to “off-budget” rents, especially rents from land and buildings owned by the bureau. Although it is unlawful for these bureaus to directly operate private enterprises, they circumvent legal restrictions by registering their assets as other entities. As an example, a building owned by County X’s Bureau of Religious and Minority Affairs is officially registered as a training center. For several years, however, the bureau has leased the building to an entrepreneur who operates a hotel out of the premises. The Civil Affairs Bureau, responsible, among other things, for emergency relief in the countryside, owns a building that is registered as the county’s Emergency Relief Center. However, the facilities are used to operate a hotel. The annual rents are retained as discretionary off-budget revenues to be used in accordance with the bureau chief’s preferences. Local power brokers and factional chiefs normally allocate these positions as rewards to allies.

Category 4: Veto Players

Veto players are those local state officials with control over leading cadre appointments and those who oversee the work of local agencies. The first tier of veto players includes the heads of the government and Party at the county and district levels and their deputies. The heads of government must authorize local public works, but deputies can be influential in persuading their boss of a project’s merits. The six or

¹⁹ The same bureau in another county will not necessarily have all the same powers or responsibilities.

seven deputies who are attached to the county's Party Secretary and the county government head (repeated at the district level) are responsible for overseeing the work of a variety of bureaus. A deputy can be responsible for several portfolios, and not surprisingly, the most powerful deputies are those in charge of overseeing the bureau chiefs in construction, communications, industry, taxation, and electricity. A particularly powerful deputy can sometimes be responsible for several of these powerful portfolios. Bureau heads need to curry favor with the deputies to ensure that their projects and activities get the executive's formal approval. Party Secretaries and Deputy Secretaries cover the same portfolios as the heads and deputy heads of government (making for extensive duplication of functions) but also oversee Party work such as propaganda. These deputies can be extremely powerful, because the Party has greater veto power than the government executive, as well as the power to conduct meaningful investigations into illicit activities. The head of the administrative secretariat (*mishuzhang* 秘书长) of the Party is also a powerful position because it serves as gatekeeper to the Party's highest-ranking official—the Party Secretary.²⁰ Beneath the Party and government chiefs are second-tier veto players, namely the chairs of the County People's Congresses. While the People's Congress is familiar to students of Chinese politics as a toothless, rubber stamp parliament, the chairs of these organizations participate in the Party standing committee meetings where leading cadre appointments are determined. The Chairs of the People's Congress and the Political Consultative Assembly can also nominate candidates for any top post. In this research site, the position of Chair of the Political Consultative Assembly was occupied by a powerful factional boss with an extensive portfolio of business interests. He had sought this Chair position because it required little work and gave him time to concentrate on maneuvering to further his faction's overall interests.

Heads of bureaus are now required to report to the People's Congress every quarter year, at which time they receive approval or disapproval for their policy implementation efforts and other project work. This process is largely a formality, but the option is available to formally criticize or praise a local government official for the record, or to delay or sidetrack project proposals. Factions seek to dominate the People's Congress leadership in order to have leverage over their factional rivals when they come before the Congress. It should be noted, however, that deputy positions in both the People's Congress and the Political Consultative Committee are politically weak because they have little influence over cadre appointments or resource allocation. These positions are used to “rest” officials (*xianguan* 闲官)—sinecures given in reward for service, or as a means of sidelining loyal associates who may not have the required acumen for the “main” game.

²⁰ Graeme Smith has written of the influence of the *mishuzhang* in a county in Anhui. See Graeme Smith, “Political Machinations in a Rural County”, *The China Journal*, No. 62 (July 2009), pp. 29-59. While Smith does not use the “factional” model in his analysis of local politics, he identifies similar sources of power and influence within the local Party-state as well as similar patterns of political behavior.

There are more veto positions in the Party than in the government, reflecting the dominant status of the Party in China's political system. That said, it is not necessarily given that a Party Secretary wields more power (*shili*) than his government counterpart. If a Party Secretary, especially an outsider, is astute at managing factional politics, he can often control them, but this can usually only be achieved by making balanced concessions to different factions. In fact, the strongest Party Secretaries from outside the county are those who succeed in maintaining a balance of power between local factions. For example, Party Secretaries can use their veto power over local cadre appointments and promotions to ensure that one faction does not become too dominant. The most formidable Party Secretary in the history of County X understood this source of power too well—during his three-year tenure he oversaw changes to no fewer than 130 senior and middle-ranking positions. However, the recent national trend towards localization of top Party and government positions has reinforced the influence of factions in County X. The appointment of non-locals to top posts is now much less common. In County X, this has opened up the possibility for local factions to control the important position of Party Secretary. In 2010, top officials from Faction B occupied the seats of County Magistrate, County Party Secretary and also District Party Secretary—a position with great influence over the appointment and promotion of senior county officials.

Local factions extend their clout when a member of a faction rises to a senior position in the provincial administration. This is not just because that individual can influence district-level appointments, but because the provincial government provides access to resources that can be channeled through factional networks—for example, state projects or grants awarded to an ally's bureau. Factions A and B—the two most powerful factions in County X—both have progenitors who advanced to the provincial level, whereas Factions C and D do not.²¹ Veto players are arguably the most important positions for factions to control because of their influence over the appointment of other leading local positions. In the next section I explain how factions exert their influence over the cadre management process.

Cadre Management in County X

In County X, factions operate like executive placement agencies, preserving and extending their influence by ensuring that members occupy key decision-making and resource-controlling positions. The role of factionalism in personnel appointments challenges recent arguments about the role of the cadre management system in maintaining central control over the political system. In recent years a number of analysts have argued that central Party leaders keep lower-echelon officials in check, despite radical decentralization and the fragmentation of authority, through the cadre

²¹ While research findings suggest that factional linkages extend through the province to the central government, it is beyond the scope of this study to examine factional politics at the provincial level and beyond. The nature of factional politics at the provincial level and how such factions link political struggles at the grass roots with political struggles at the center is an important subject for future research.

management system.²² Pierre Landry observes that “the CCP controls the selection and promotion of 10.5 million officials posted in 307,000 work units, among whom 508,000 are high-ranking cadres above the county level”.²³ By the time appointments are made at the county level, however, they are already several steps removed from the center. As Landry himself acknowledges, “at the local level, one would not necessarily expect decentralization to occur without significant loss of central political control of the process and criteria for the appointment of officials”.²⁴

While a number of other studies have noted that positions in the local state bureaucracy can often be bought (*maiguan* 买官),²⁵ few studies have noted the potential for local capture of the cadre management system by informal groups. In County X, I found the convoluted and opaque cadre management system to be a key battleground of factional competition. In the first stage of appointment for leading positions in the county, candidates are formally nominated at a meeting attended by all cadres ranked deputy section chief (*fukeji* 副科级) and above. Participating officials then cast a secret ballot for their preferred candidate. This is an opportunity for factions to mobilize as many votes for their candidate as possible. In County X, the two largest factions would sometimes join forces with smaller rivals to maximize their votes. As part of the deal, the smaller faction might get support for one of their candidates in a subsequent round. There are other ways in which factions can manipulate the system. During one of my visits to County X, a Party leader called a snap meeting on a Sunday to vote on the appointment of a new bureau chief. The Party leader had ensured that his factional allies were previously informed about the meeting and available to attend. Many rivals, however, were unable to attend at such short notice.

The preliminary vote, however, is not determinative. Voting is only a show of peer support, which guides subsequent decisions by the Party’s Standing Committee. Final decisions are made only after the Party Organization Department

²² Leading proponents of this view are Maria Edin, “State Capacity and Local Agent Control in China: CCP Cadre Management from a Township Perspective”, *The China Quarterly*, No. 173 (March (2003), pp. 35-52; and Pierre Landry, *Decentralized Authoritarianism in China: The Communist Party’s Control of Local Elites in the Post-Mao Era* (Cambridge: Cambridge University Press, 2008). Dali Yang has also argued that recent reforms have strengthened performance and reduced corruption in the public service. See Dali Yang, *Remaking the Leviathan: Market Transition and the Politics of Governance in China* (Palo Alto: Stanford University Press, 2004). Minxin Pei offers a different view. Consistent with my arguments, Pei argues that that administrative decentralization has compounded principal-agent problems and given rise to local political monopolies. See Minxin Pei, *China’s Trapped Transition*.

²³ Pierre Landry, *Decentralized Authoritarianism in China*, p. 16.

²⁴ *Ibid.*, p 17.

²⁵ See, for example, Graeme Smith, “Political Machinations”; Dali Yang, *Remaking the Chinese Leviathan*; Xiaobo Lü, *Cadres and Corruption: The Organizational Involvement of the Chinese Communist Party* (Stanford: Stanford University Press, 1999); and Minxin Pei, *China’s Trapped Transition*.

(*zuzhibu* 组织部) has conducted extensive evaluations (*kaocha* 考查) of the candidates. Factional bosses have various means at their disposal to influence the process at the evaluation stage. One of the more ruthless methods involves sabotaging the career prospects of another faction's candidates by having someone send an accusation of improper dealings to the Party Disciplinary Committee, which is obliged by law to investigate any accusations of misconduct—even from an anonymous source. Regardless of the final outcome (many allegations are found to be groundless), an official is ineligible for transfer or promotion while being investigated—a process which can take up to several months. This happened to one candidate from County X who was seeking a promotion to a senior position in the district government. On the Party room floor, he mustered more votes than two rival candidates for the position, but was subsequently forced to quit the race when someone filed an anonymous complaint regarding the candidate's private business dealings. It was widely assumed by the candidate and by others familiar with the process that factional rivals were responsible for the accusations. While the candidate was cleared of wrongdoing by a subsequent investigation, the process delayed his appointment for one year, giving rival factions an opportunity to field their own candidate. The same position would not become vacant again for five more years—the new standard length of leading cadre tenure.

Before being formally instated, leading cadres are also subjected to a detailed background check by the Party's Organization Department. The Party Organization Department keeps detailed records of state employees, and can interview scores of present and former colleagues as part of the evaluation process. Evaluations vary according to position, but the criteria are generally divided into four areas: (1) virtue, (2) industriousness, (3) capability, and (4) record.²⁶ Virtue refers mostly to loyalty to the Communist Party as well as professional integrity. Industriousness and capability are measured according to the subjective opinions of superiors and colleagues. The only objectively measurable criterion is "record", where cadres must demonstrate that they have successfully met specific quantifiable tasks in policy implementation. For leading cadres, the emphasis is generally on GDP growth, but also includes hard targets for such items as education enrolments and birth control. However, even with "hard" targets, there are myriad ways in which statistics can be manipulated and evidence manufactured for or against a candidate. The actual decision about the appointment is often made before the Organization Department's junior officials begin their tedious evaluations. Importantly, the evaluating officials are almost always of junior rank, and are often given specific instructions about whom to interview during the evaluation and what conclusions to reach at the end of the process. If they are factional allies, supervisors of a poorly performing cadre can also be instructed to speak highly of him when the evaluation team visits.

²⁶ For further detail on the formalities of this process, see Yang Zhong, *Local Government and Politics in China: Challenges from Below* (Armonk: M. E. Sharpe, 2003).

In arguing that the cadre management system provides an effective mechanism for the Party to maintain political control, Landry notes that the “ultimate test is whether local decisions conform to the broad requirements set by China’s central leadership”.²⁷ While it is true that candidates for leading cadre positions must meet increasingly strict criteria set by higher levels, in County X new regulations did not appear to have loosened local factions’ grip on the appointment process.²⁸ Tougher requirements such as examinations sometimes narrowed the pool of eligible cadres, which occasionally meant that no faction had an eligible candidate for a vacant position. Under these circumstances, the provincial government would typically dispatch a qualified official from within its own ranks. However, factions mostly responded to the new eligibility criteria by working to upgrade their members’ qualifications and recruit new members with better qualifications.

The final decision over leading cadre appointments rests with the Party Standing Committee, which typically consists of 5 or 7 members. In County X memberships included the head of government, the Party Secretary, the head of the Party Organization Bureau, the Chair of the People’s Congress, the Chair of the People’s Political Consultative Assembly, the Propaganda Department Chief and the People’s Armed Police Chief. The Party Standing Committee has become more powerful since administrative reforms in 2004 required it to cast formal votes for senior appointments (previously, the Party Secretary signed off on appointments single handedly). Factions need to control at least one seat on the Standing Committee if they are to influence key appointments. The size of the Standing Committee makes it difficult for one faction to control all positions, which makes it an arena for negotiation, compromise and horse-trading. A key beneficiary of the outcome of this process is the factional system itself, in which all players have a vested interest.

The Resilience of Factionalism

The theoretical literature on factionalism suggests that factions tend to be short-lived.²⁹ There are two reasons for this. First, the instrumentality on which factions are based is assumed to preclude long-lasting bonds. Second, because factions are built on dyadic personal relations, the transaction costs of maintaining the faction eventually become too high. Yet, while County X’s factions exist for instrumental purposes and

²⁷ Pierre Landry, *Decentralized Authoritarianism in China*, p. 17. For similar arguments, see Maria Edin, “State Capacity and Local Agent Control in China”. For another perspective on this subject, see Susan Whiting, “The Cadre Evaluation System at the Grassroots: The Paradox of Party Rule”, in Barry Naughton and Dali Yang (eds), *Holding China Together* (Cambridge: Cambridge University Press, 2004), pp. 101-19.

²⁸ Yan Sun similarly argues that the cadre management system remains vulnerable to local capture despite (and in some cases because of) recent administrative reforms. See Yan Sun, “Cadre Recruitment and Corruption: What Goes Wrong?”, *Crime, Law and Social Change*, Vol. 49, No. 1 (February 2008), pp. 61-79.

²⁹ See, for example, Frank P. Belloni and Dennis C. Beller, *Faction Politics*.

are unrelated to the ideological or class-based cleavages of an earlier time, native place association provides a very strong bond between members, especially among groups from rural areas in China. Bonds between factional members are further reinforced by the use of fictive kinship terms such as “big brother” and “little brother”, signaling the strength and longevity of the dyadic ties. As noted in other studies of *guanxi* networks, this emotional dimension makes factions cohesive and reduces transaction costs— favors are not necessarily traded *quid pro quo*, but on the understanding that loyalty and favors will eventually be rewarded. So while China’s local factions closely resemble factions in other parts of the world, the use of cultural resources gives factionalism in County X a particular flavor.

During a time of rapid change and under conditions of fragmented authority and bureaucratic indiscipline, factionalism provides a pragmatic means of organizing political competition among the new class of bureaupreneurs. Factionalism thus brings a degree of stability to local state politics where ruthless competition between bureaupreneurs might otherwise cause chaos and collapse. Factionalism provides a supplementary “rules of the game” for political competition, which supports internal stability and probably reduces political violence within the local state.

In County X, factionalism has been resilient through several periods of administrative reforms including fiscal reforms designed to give the center more control over taxation as well as reforms designed to increase local accountability, by strengthening the role of the Party and local People’s Congresses. In fact, factionalism appears to be resilient, not despite reforms, but because of them. As public administration increases in complexity, factionalism helps to bridge the gaps in flows of information and authority. With authority fragmented between horizontal (*kuai* 块) and vertical (*tiao* 条) chains of command and between cellular Party and state agencies, informal channels of communication and negotiation have arguably become essential to public administration. Because large parts of the economy remain state controlled, economic development is driven in large part by the mobilization of public resources and deployment of state-owned assets. Increasingly, the design and implementation of major public works projects demands collaboration across a number of government departments and Party agencies. To build a new road, for example, designs need to be approved by the County Government Executive, the Party Secretary, the local office of the National Reform and Development Commission (formerly State Planning Commission) and Transport and Construction Bureaus. In addition, agreement on expropriations needs to be reached with the Land Management Bureau and township and village governments and, if all or part of the project was financed by loans, with the state banks as well. With well-placed members in their network, factions can help to coordinate policy action. They do this through the exchange of information and favors, and by spreading the risks associated with decision-making. Even if factional activity is driven by the promise of spoils, it can be argued that factions make things happen. Just as one study has argued that China’s dynamic growth

through the reform period can be attributed to factional struggle at the top,³⁰ so can it be argued that factionalism is a source of dynamism within a complex and grinding maze of often dysfunctional local state institutions. The dual function of factions as vehicles for collective corruption and as catalysts for local economic investment partly helps to explain how official corruption and high levels of economic growth have managed to coexist.

Factionalism is also resilient because of its ability to minimize the risks associated with bureaupreneurialism. With members spread across Party agencies, the judiciary and police, factions are in a strong position to ensure that their activities either are not investigated or are difficult to investigate for watchdog agencies. This is largely because the watchdog agencies are themselves vulnerable to factional capture. The two main agencies responsible for monitoring corruption—the government’s Investigation Bureau and the Party Discipline Committee—are not independent of other Party and state agencies.³¹ Local Party-state leaders exercise significant discretion over investigations. Investigations into officials above the rank of deputy section chief (county bureau chiefs/district deputy bureau chiefs and above—the most influential and lucrative positions), for example, must be authorized by the Party Secretary. In County X the Party Secretary rarely approved such investigations. Because corruption typically involves multiple players working in multiple bureaus, investigations into wrongdoing might be a can of worms for a Party Secretary. A local investigation might be thwarted by factional intervention at either the local or the provincial level, seriously undermining the Party Secretary who took on the case. Party Secretaries are also aware that high-level investigations might reflect badly on the Party Secretary himself.

Another disincentive to launch investigations into wrongdoing is the lack of clear lines of accountability in local government. Because multiple agencies can be involved in any one project, investigations into the actions of one group might result in unwelcome attention for others, including one’s own people. As an example, I investigated a township road project that had been extravagantly funded (namely, very high costs per kilometer) but poorly constructed. The road did not survive its first rainy season. It was an open secret that so much of the project’s funds had been siphoned off that there was little money left to spend on construction. Later, it was revealed that the road had been deliberately designed to be several kilometers longer than necessary in order to maximize funding and kickbacks, despite the inconvenience caused to township residents. While members of Faction B had instigated the project, the county magistrate—a Faction A man—had approved it on the basis of a funding commitment from the province. When provincial officials

³⁰ Hongbin Cai and Daniel Treisman, “Did Government Decentralization Cause China’s Economic Miracle?”, *World Politics*, No. 58 (July 2006), pp. 505-35.

³¹ The functions of these two agencies are largely the same, except that the Party Discipline Committee investigates Party members and the Investigations Bureau investigates non-Party members on the state payroll. Most, but not all, senior local government officials are Party members.

came to inspect the project, members of both factions made a united effort to ensure that the inspection team never got to see the road. Drawing on the county's entertainment (*jiedai* 接待) budget, the visiting officials were kept busy in the county seat. As this example shows, rival factions are capable of collaboration in the interests of system preservation and mutual protection.

Concluding Comments

While this study is based on a single case study, studies from other parts of the country, both urban and rural, suggest that factional politics matter across China. Factions in County X emerged as a creative response to the new political and economic pressures associated with fiscal and administrative decentralization in the 1980s. Intra-state factions coalesced around patronage networks in order to better compete with other groups for control over public power and resources. As opportunities and risks increased, factional competition intensified. This institutional environment has been true of most localities in China throughout the reform period.

While factionalism has long been regarded as a building block of Chinese politics, the factions that emerged in County X in the reform era bore little or no resemblance to the ideological or class-based cleavages of the pre-reform era. They were formed for the instrumental purposes of political competition. This does not mean, however, that contemporary local state factions were devoid of a normative dimension. Factional membership was based primarily, though not exclusively, on native place association—a strong cultural resource on which faction bosses could draw, and which lent an otherwise universal phenomenon its Chinese characteristics. Factions thrived in a fast-changing and free-wheeling environment in which bureaucratic entrepreneurialism was rewarded with career advancement and improved prospects for private wealth accumulation. In a fragmented political system, factions enhanced members' capacity to extract spoils by capturing a wide portfolio of positions within local Party and government agencies. These positions provided access to the bureaucratic levers of power needed to mobilize state resources and to regulate economic activity in the growing private sector. Importantly, factions also provided a degree of security, protecting the activities of entrepreneurs from encroachment by the state's feeble integrity system. Even if a faction failed to control a particular watchdog agency, the long tentacles of its operations provided a strong incentive against investigation. If one faction spearheaded an investigation into alleged misconduct by its rivals, it could wind up exposing some of its own people. Except in extreme cases, a "code of civility" prevailed between the factions, which gave the system its strength. Factions competed, but not to the extent that they risked undermining the spoils system that benefited them all.

The prevailing "code of civility" helps to explain the resilience of factionalism. In a political system characterized by personal authority and bureaucratic indiscipline, the opportunities and risks of political competition are high. In such an environment, factionalism plays a key role in organizing political competition.

While political violence remains common at the local level in China, factionalism helps to keep it in check. In the absence of political parties, factionalism provides a means of organizing and articulating the interests of powerful local groups. Evidence of this can be seen in the horse-trading over leadership positions that often takes place within the Party Standing Committee.

Factions also help to navigate complex bureaucratic pathways within the local state. By facilitating the exchange of information between otherwise cellular and fragmented formal state institutions and by mobilizing public resources including investment capital, factions are a source of dynamism, even if venal motives can be found to underlie some of the enterprise. For example, County X's factions might determine which township benefits from a new public works project and which company is awarded the contract, but their collective enterprise also serves to get the project off the ground.

Factions derive power from the control of official bureaucratic positions. The more positions a faction controls, especially key leadership positions, the more influence it can wield over local policy and economic activity. Factionalism's capacity for hijacking the cadre appointment process helps to explain how "independent kingdoms" sustain themselves despite administrative reforms designed to strengthen central controls. In fact, the experience of County X suggests that factionalism has expanded in step with increasing complexity in public administration. Bureaucratic complexity makes factions more useful as tools of local policy coordination.

Factional capture of the cadre management system at the local level raises questions about the central state's capacity to control its local agents. This study has shown the various ways in which factions are able to "game" the convoluted cadre management system. It would be wrong, however, to suggest that local factionalism is a threat to Communist Party power simply because it undermines central control. In fact, factionalism might prove to be a major bulwark of Communist Party rule. By organizing and stabilizing political competition, supplementing formal institutional deficiencies and rewarding underpaid local élites with spoils, factionalism has helped to sustain China's political system through a generation of change.

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