

# MAPPING CHINA

## China under Xi: Moving Beyond Performance Legitimacy?

Written by

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### **Abstract**

The People's Republic of China has time and again proven its ability to defy conventional wisdom. Perhaps most astonishing out of all its achievements is still the fact that China's transition to a quasi-market-economy was overseen and directed by no other than the Chinese Communist Party. Consequently, many regard this impressive level of economic growth as the primary source of legitimacy for CCP rule in contemporary China. Yet, despite growth slowing down as an inevitable part of China's economic transition, the CCP still seems to enjoy the support of the overwhelming majority of the Chinese people. Nevertheless, many of the problems that were concealed by rising prosperity such as socio-economic inequality or the urban/rural cleavage might now be coming to the fore again. Thus, this paper sets out to answer the question if economic performance can still serve as the primary source of legitimacy for CCP rule, or if the party must now find new sources of legitimacy.

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## 1. Introduction

Since Deng Xiaoping opened up the Chinese economy in 1978, the People's Republic of China (PRC) has time and again proven its ability to defy conventional wisdom. Since then the PRC has enjoyed more than four decades of unprecedented economic growth, turning it into the second-largest economy in the world. In the process, nearly 800 hundred million people have been lifted out of poverty and by 2022, 76% of China's urban population will have become part of the middle class (Iskryan, 2016; Pan, 2018). Perhaps most astonishing out of all these achievements is still the fact that China's transition to a quasi-market economy was overseen and directed by no other than a Communist party still claiming adherence to the tenets of Marxism. Consequently, there are many scholars who regard this impressive level of economic growth or more accurately the collective rise of individual incomes associated with it, as the primary source of legitimacy for the Chinese Communist Party (CCP) rule in contemporary China (Dickson, 2016, p. 259).

However, what happens if economic performance eventually falters? Shouldn't any kind of legitimacy derived from it do the same? Additionally, there is also the possibility that the economic and social changes set into motion by growing prosperity have the potential to turn even an economically successful authoritarian regime into a victim

of its own success. Accordingly, numerous renowned China experts have repeatedly predicted the collapse of the Communist regime in China and have again and again been proven wrong (Chang, 2001; Pei, 2006; Shambaugh, 2016). Multiple causes like a strong popular desire for stability or a cultural tendency towards conservatism have been suggested to explain this puzzle, but arguably the most significant cause is the fact that in the last decades even China's poorest have experienced an unprecedented rise in their standard of living. Particularly, China's middle class has little interest in destabilizing a system that has benefited them and from which they expect continued performance (Zeng, 2016b, pp. 72–73, 309). Additionally, while economic performance is arguably the primary source of legitimacy for the CCP, the party's undiminished popular support even during past economic downturns might point towards the existence of additional strands of legitimacy which will be explored in more detail in Chapter 5.

However, with growth slowing down as an inevitable part of China's economic transition, many of the problems that were concealed by rising prosperity such as socio-economic inequality or the urban/rural cleavage might now be coming to the fore again. Thus, this begs the question if economic performance can still serve as the primary source of legitimacy for CCP rule, or if the party must now find new sources of legitimacy? In order

to assess this question, I will first establish the theoretical foundation of performance legitimacy. In the third chapter, I will provide a quick historical overview of what enabled the emergence of performance legitimacy in the first place and in the fourth chapter whether recent developments are undermining its foundation. In the last part of the paper, I will then discuss possible alternatives sources of legitimacy for the rule of the Communist party.

## **2. Performance Legitimacy in Autocratic Regimes**

While research on authoritarian regimes has become one of the fastest-growing areas of comparative politics, it has only been fairly recently that the subject of autocratic legitimacy has managed to attract scholarly attention. Consequently, this has led to a relative dearth of systematic research when it comes to the legitimation strategies of authoritarian regimes, with most studies on this issue relying on anecdotal or case-based evidence (Soest and Grauvogel, 2017, pp. 287–288). This lack of research seems all the more surprising when considering that from an empirical standpoint all types of political regimes must justify their rule in order to ensure their long-term survival (Kailitz and Stockemer, 2017, p. 333). Since not even autocracies can permanently sustain themselves by relying solely on repression

and co-optation alone. Legitimation should be regarded as a third crucial pillar that allows an autocratic rule to endure (Gerschewski, 2013, pp. 18, 30). Yet, how do autocratic regimes establish their legitimacy? Dukalskis & Gerschewski outline four distinct mechanisms of autocratic legitimation: ideological indoctrination, democratic-procedural, passivity, and performance.

In the aftermath of the second world war, autocracy research was dominated by a focus on the ideological indoctrination component of totalitarian rule. It was only with the decline of totalitarian regimes that the research focus has shifted towards the latter three mechanisms. Authoritarian rulers that utilize the passivity mechanism are less interested in mobilizing the population than in demobilizing potential opposition by making the regime appear “unassailable.” Conversely, autocracies that employ the performance mechanism seek to create acceptance or support for their rule by demonstrating the effectiveness of authoritarian governance. However, today the most frequently utilized mechanism is the democratic procedural one because nearly every autocracy holds some form of elections or at least seeks to demonstrate its responsiveness to the demands of the citizen’s through alternative means (Dukalskis and Gerschewski, 2017, pp. 253–260). Nevertheless, while passivity, performance, and democratic-procedural can

be classified as distinct mechanisms, there is considerable interaction between them as pointed out by Cassani as well as Dukalkis and Gerschewski (Cassani and Cassani, 2017, pp. 362–364; Dukalskis and Gerschewski, 2017, pp. 5–6).

More recently, the remarkable resilience of the CCP and its potential to serve as a role model for other authoritarian regimes have directed considerable scholarly interest towards performance-based legitimacy. Although commonly associated with economic indicators, Soest and Grauvogel point-out that performance legitimacy can also be derived from the delivery of public goods such as education or health care with Zeng expanding his definition of the term to include the performance of “all government function.” Moreover, for Radnitz, the concept also encompasses the public perception of the regime as a “guarantor of stability, territorial integrity or state-building.” This rather broad definition has naturally become the target of some criticism, but Zeng contends that there is no better alternative to the term and that performance legitimacy is especially useful when explaining China’s unique situation (Radnitz, 2012, pp. 71–75; Soest and Grauvogel, 2015, pp. 38–43; Zeng, 2016a, p. 68). A Regime Legitimation Expert Survey on non-democratic regimes in 98 countries conducted between 1991 and 2010 points to the centrality of performance legitimacy for autocratic regimes. Since

according to the survey all kinds of authoritarian regimes employ “performance claims” in order to substantiate their rule – even when their actual record is rather questionable (Soest and Grauvogel, 2017, p. 298).

Thus, the definition of what actually constitutes performance is highly dependent on the specific circumstances of the regime in question. Therefore, performance legitimacy cannot be measured by surveying objective indicators like economic growth or unemployment, but rather if and to what extent the general population perceives the regime’s claims of improvement to be real. Thus, while “real-world accomplishments” may make it easier to pursue a performance-based legitimacy strategy, achievements only translate into legitimacy gains when the regime can successfully frame itself as being “pivotal” to their achievement (Soest and Grauvogel, 2017, pp. 296–298).

### **3. The Foundation of China’s Economic Performance**

#### **3.1 The Institutionalization of Leadership Transition and Governance**

The Reason for what Nathan has termed the CCP’s authoritarian resilience has been its remarkable adaptability which can be directly traced back to Deng Xiaoping’s policy of “reform and opening up” (Nathan, 2003, p. 6; Magnus, 2018, p. 14). Thus, in the following,

I will briefly outline what made China's economic rise possible and by extension enabled the emergence of performance legitimacy as the CCP's main source of legitimacy. Leadership transition in authoritarian regimes is always fraught with danger, with the moment of transition often occurring "ahead or behind the nominal schedule, involving purges or arrests, factionalism, sometimes violence and opening the door to the chaotic intrusion into the political process of the masses or the military." In this, pre-reform China was no exception, with both of the PRC's "paramount leaders" Mao Zedong and Deng Xiaoping exercising "supreme authority" until the end of their lives. Although both designated multiple successors to their position, all of Mao's and two Deng's chosen successors were deposed or forced to resign before the transition of leadership could take place (Nathan, 2003, pp. 7–8).

Despite the continuity, this would seem to imply Deng's assumption of power in 1978, signified a dramatic shift in the governance of the CCP and China as a whole. Although Deng also held supreme authority, he avoided creating a cult of personality around himself like Mao had and also eschewed one-man rule in favour of a more consensus-driven management style. Additionally, although Deng's first two selected successors were forced to resign neither they nor their families were physically harmed or faced persecution

(Minzner, 2018, p. 19). Beginning with Jiang Zemin in 1989 each of his successors served their full term in office, but importantly none overstayed it. Jiang was the first leader of the PRC not to choose his own successor instead, the selection of each new generation of leaders was now made by consensus within the Politburo – the central political body of the PRC (Nathan, 2003, pp. 8–10).

Additionally, under Mao and to a certain degree also Deng the opportunity for advancement within the Communist party had been dependent on loyalty to the central leader and the ability to adapt to changing political directives. However, beginning in the 1980s the CCP began to establish a meritocratic selection and promotion system for party and government positions. Exactly how meritocratic this system is, has become the topic of considerable academic debate with some studies suggesting that officials who perform better being promoted more easily (Li and Zhou, 2005). While others contend that personal connections also play a role (Shih, Adolph and Liu, 2012; Jia, Kudamatsu and Seim, 2015).

In a study drawing on comprehensive data from the selection of officials on the provincial, prefectural and county-level, Landry et al. find that the meritocratic selection element is strongest on the local level. With personal ties and factionalism becoming more important the further officials move up the administrative ladder

(Landry, Lü and Duan, 2017, pp. 25–26). Nevertheless, each party member that gains entry into the Politburo is the product of a 20-year selection process. Therefore, Yang argues that China’s selection and promotion system can be classified as open, competitive and meritocratic (Yao, 2018, p. 88).

The institutionalization of leadership succession has allowed the CCP to eschew most of the dangers associated with the succession of power outlined at the beginning of this section. In concert with the regularization of the administrative promotion system, this has ensured that the regime has at its helm a capable leadership group, representing different party factions. Thereby, ensuring that the top-party leadership would be structurally predisposed towards collective decision making (Nathan, 2003, p. 20). The capacity for “institutional adjustment and flexible policy implementation” this has enabled not only guarantees the regime’s political stability but is also a critical ingredient to China’s unique economic development (Heberer, 2016, p. 622).

### **3.2 The Politics of Pragmatism and the Marketization of the Chinese Economy**

One of the key drivers of China’s economic success was undoubtedly the deviation from Marxist orthodoxy in favour of pragmatic market-oriented reforms, famously embodied by Deng’s assertion “that it doesn’t matter

whether the cat is black or white, as long as it catches mice.” However, while the scope of these reforms can only be described as radical, their pace was anything but. In stark contrast to the shock-therapy treatment that the former economies of the eastern bloc underwent, in China the introduction of market economy structures was much more gradual (Jing, 2017, p. 40). This was less because of any comprehensive government reform strategy, but rather due to the absence of one. After almost 30 years of CCP rule there simple was no clear “conceptual basis” for the transition towards a market-oriented economy. Thus, Deng fittingly described the process of economic reform as “crossing the river by feeling the stones” (Garnaut, 2018, pp. 32–33).

Although experimental reforms were launched in nearly every sector of the economy it was the dramatic success of rural reforms that paved the way for the transformation of the Chinese economy from a command economy to a quasi-market economy. At the beginning of the reform period, stood the establishment of town and village enterprises (TVE) in rural China. As the name implies initially most TVEs were mainly owned and controlled by the peasants and it was only later that the concept also came to include ownership by individuals or other non-state enterprises. Most TVE’s took advantage of China’s large population by focusing on the production of labour intense

products, enabling them to become internationally competitive. In 2000 they accounted for 47% of China's total industrial output, 48% of its exports and employed 127 million people (Fu and Balasubramanyam, 2003, pp. 28–30). The emergence of the TVE's had several important repercussions for the evolving reform process: they gave local officials a stake in the reforms, created competition for existing state-owned enterprises (SOE) and their rapid growth became a “motor” of marketization (Naughton, 2007, pp. 271, 275–278).

Rather than dismantle the planned economy immediately a dual-track system was instituted in which a single commodity usually had a lower state-set price and a generally higher market price. Thus, while by the mid-80s SOEs were still being assigned compulsory output targets after these quotas had been met any surplus capacity could then be used for the production of goods at market prices. In combination with compulsory output quotas remaining at a fixed level, this ensured that virtually all companies including SOEs underwent a gradual adjustment process to market conditions (Naughton, 2007, pp. 91–93). Then in the mid-90s, there was a significant push for the consolidation of the inefficient SOE sector that had until 1978 dominated the economy, with smaller companies being closed or privatized and larger ones being merged into gigantic industrial conglomerates

(Gewirtz, 2017, p. 263). By 2001, 86% of SOEs had been restructured and 70% fully or partially privatized (Magnus, 2018, p. 44).

Even after this restructuration had taken place, the state sector continued to underperform both in economic terms as well as a source of employment. However, the surging private sector more than made up for the lacklustre performance of the SOEs. Although the legal framework for private businesses in Chinese cities was only established in 1988, private urban employment grew rapidly from just 150,000 in 1978 to 253 million in 2011. Thus, as the private sector became the primary driver of economic growth and employment due to its greater efficiency, the CCP began to slowly shift away from its initially hostile stance towards private business to actively encouraging its expansion (Lardy, 2014, pp. 82–85, 89–93). Perhaps, nothing embodies the remarkable policy shift, of what is after all still a Communist party, quite like Jiang Zemin's decision to actually invite private entrepreneurs to join the party in 2001 (Nee and Opper, 2012, p. 64).

Lastly one of the most integral factors to the success of the PRC's economic transformation was undoubtedly the decision to open up the country to international trade and Foreign Direct Investment (FDI). China's economic development was greatly aided by the fact that it happened to coincided with the rise of global production

networks, allowing the PRC to maximize its advantage in labour-intensive manufacturing and enabling it to become one of the leading exporters of manufactured goods (Yao, 2013, p. 45). In the 40 years since the beginning of the reform period, Chinese exports have increased from just 10 billion US Dollar in 1978 to a staggering 2.2 trillion US Dollar in 2017. Therefore China's economic development model has often been described as being largely export-driven (Li and Jiang, 2018, p. 581).

This remarkable development was made possible by a large-scale infusion of FDI that was accompanied by foreign know-how and management knowledge. Just like China's marketization, the process of opening up to the outside world also proceeded very gradually. Beginning in 1979 four Special Economic Zones geared towards facilitating foreign trade and attracting FDI were established. The concept proved highly successful and was over the course of more than a decade first introduced to large parts of coastal China before being expanded nationwide after 1992 (Chen, 2018, pp. 596–598, 604–606). Overall, the gradualism of the reform process was not just a crucial factor for maintaining social stability, but arguably also enabled China to avoid the boom-bust cycles that have become so common in other developing countries.

### 3.3 Decentralization and Local

#### Innovation

China has had a tradition unitary governance dating all the way back to the formation of the Chinese Empire. After the fall of the empire, this system of government was inherited first by the Republic of China and eventually also the PRC. Thus, it is one of the most remarkable and sometimes underappreciated elements of Deng's reform that they involved an unprecedented level of economic decentralization (Dollar, 2018, p. 155). Instead of a governing system that tried to “penetrate everywhere” and set “tight rules” for local officials, he established a system in which local governments were given considerable leeway as long as the managed to achieve rapid economic growth (Vogel, 2011, p. 599).

This has set off a fierce competition among China's local governments for the best investment climate, with regions that developed a reputation for being business-friendly able to draw in substantial outside investments. Consequently, these successes were rapidly copied by local officials in other regions who knew that their prospects for career advancement depended largely on economic performance (Dollar, 2018, p. 156). However, the implications of this went far beyond just the local level. Arguably, it has been one of the most distinctive features of China's economic model that many of its developmental policies often emerged out of

successful local policy innovations (Heilmann, 2008a, pp. 1–2).

Although, the Chinese policy process is driven by local initiative, in a hierarchical system “bottom-up experimentation” can only succeed if it manages to garner the implicit or explicit support of higher-level backers, who are instrumental in advocating for these locally generated policy innovations on the national level. If this is successful, generalizable “model experiences” are then extracted and expanded into a larger number of experimentation points. It is only after further rigorous testing and revision that the emerging results are then implemented into national policy (Heilmann, 2008b, pp. 9–12). Thus, it is the combination of decentralized experimentation in combination with selective integration of local innovations at the national level, that is key to understanding the remarkable capacity for adaptation of the Communist Party and by extension also China’s economic rise (Heilmann, 2008a, pp. 30–31).

The Success of Deng’s reforms is undeniable and has exceeded even the most optimistic expectations. In fact, China’s rise has even sparked considerable debate on whether there is a distinct “China model” of development or “Beijing consensus” that could serve as an alternative to the market-friendly “Washington consensus” for other developing countries (Zhao, 2016b, pp. 3–7).

## **4. Xi’s Great Leap Backwards**

### **4.1 The Abandonment of Collective Leadership and Xi’s Personalization of Power**

When Xi Jinping came to power in 2012/2013 the “China model” which had enabled the PRC’s prodigious economic development was visibly losing steam – a direct threat to the CCP’s performance legitimacy. Yet, the administration or more appropriately the reign of Xi has almost become a mirror image of the Deng period with many of the mechanisms that made China’s economic growth possible being systematically dismantled. Therefore, this begs the question if Xi’s rise to power marks the end of China’s exceptional form of authoritarian development. When Deng Xiaoping instituted the principle of collective leadership, he did so because never again should the flawed decisions of just one man be allowed to lead China into another disaster like “the Great Leap Forward” or the “Cultural Revolution.” However, Xi seems to have reached the conclusion that only by centralizing political power in his hand can he hope to succeed in the momentous task of rebalancing the Chinese economy (Gill, 2017, pp. 6–7).

Like his predecessors Hu Jintao and Jiang Zemin, Xi holds the offices of general secretary of the CCP, commander-in-chief of China’s armed forces and naturally also the state presidency. However, over the course of

his power consolidation campaign, he has also acquired a host of additional titles. Like the chairmanship of the newly established National Security Commission, which consolidates all components of the party's security apparatus into a single entity and has been endowed with extensive power over domestic and foreign policy. Also, of note is the establishment of several "leading groups" that are responsible for the formulation and implementation of policies across a wide range of areas such as "Financial and Economic Affairs", "Deepening Reform" or "Cybersecurity." Thereby putting Xi at the centre of all aspects of Chinese policymaking, earning him the nickname "chairman of everything"(Elizabeth C. Economy, 2018, p. 23).

In 2017 this exalted status was officially confirmed when at the 19<sup>th</sup> National Congress of the CCP "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era" was included into China's constitution – an honour that had previously only been accorded to Mao and Deng (Elizabeth C Economy, 2018, p. 62). This was even further reinforced when in the following year the National People's Congress voted unanimously to end the two-term limit on the presidency. This does not only mean that Xi Jinping could remain President well beyond the end of its second term in 2022 but also signifies the final break with the

institutionalized leadership succession model of the past decades (Düben, 2018, p. 13).

However, Xi Jinping's signature domestic policy initiative is without a doubt the large-scale anti-corruption drive he instituted almost immediately after assuming office. What distinguished his anti-corruption campaign from those of his predecessors was its all-encompassing and continuous nature, with more than one million officials and party members being disciplined until 2017 (Elizabeth C. Economy, 2018, pp. 30–31). Surveys suggest that the anti-corruption effort has become a considerable source of personal legitimacy for Xi (Dickson, 2016, p. 91). Yet at the same time, he has also used the pretext of anti-corruption measures to centralize control of the party's disciplinary apparatus in the hands of a close ally. Accordingly, what had begun as an anti-corruption campaign was increasingly turned into a convenient tool to target his political opponents with even former Politburo members no longer safe (Minzner, 2018, pp. 106–107).

Therefore, loyalty to China's "central leader" is once again becoming the primary determinant for the promotion of officials, already more than half of the Politburo's and its standing committee now consists of Xi's allies (Elizabeth C Economy, 2018, p. 62). Thus, loyalty to the "central leader" is once again becoming the primary determinant of promotion. As Magnus points out one-man

rule will make China more vulnerable to economic disruption and could undermine the very adaptability that has enabled the CCP's current level of performance legitimacy (Magnus, 2018, p. 141). Although there is the possibility that Xi Jinping might use his unconstrained power to push through the necessary structural economic reforms that would allow China to successfully transition to a high-income economy - such as an overhaul of the inequitable education system or the downsizing of the inefficient state sector - so far there appears to be little indication of such a course of action (Düben, 2018, pp. 13–14).

#### **4.2 Stagnation and Roll-back of the Reform Process**

In November of 2013, the Third Plenum of the 18<sup>th</sup> Party Congress presided over the adoption of an ambitious reform agenda to restructure the role of the government and the market. Raising hopes that Xi would build upon the legacy of Deng's reforms and further open up the Chinese economy. However, hopes for comprehensive reform were soon dashed by reality. By concentrating power at the top of the political hierarchy, Xi has also put himself at the centre of the reform implementation process. As mentioned above, he personally chairs several leading groups, that have become the most significant agents of economic decision

making in contemporary China (Naughton, 2018a, pp. 9–10).

However, there is a great degree of uncertainty about the new policy process and particularly where, how and by whom decisions are made. While Xi's position as "ultimate decision-maker" remains unquestioned, there is no way of telling when he might exercise his "discretionary control over decision making." Thus, his interventions are difficult to anticipate with predictable results for planning security. Essentially, "the shift in the policy process has resulted in policies that are not effectively specified or implemented, and a pattern of erratic and inconsistent policy commitment" (Naughton, 2016, pp. 41–42).

This is not just a problem for outside observers, but increasingly also local governments that have to implement policies that can rapidly change direction with little or no forewarning. As a result, local governments have become much more cautious when it comes to the implementation of Beijing's policy directives (Naughton, 2016, p. 43). However, particularly when taken together with the anti-corruption campaign this has also started to impact local reform initiatives, with officials feeling insecure about changing regulations and political direction. In order to avoid getting caught "on the wrong side of a new regulation," local officials have become much more risk-averse when it comes to

launching new local initiatives, which has resulted in some already ongoing projects coming to an abrupt stop (Elizabeth C. Economy, 2018, pp. 34–35).

Even Premier Li Keqiang has acknowledged this as a problem and criticized that “some officials are taking a wait-and-see attitude, being reluctant to implement major policies of the central government and not caring about their own political achievements” (Elizabeth C. Economy, 2018, p. 35). According to Senior BNP Paribas economist Chi Lo, the economic slow-down associated with the anti-corruption campaign has reduced Chinese GDP by between 1% and 1.5% in 2014 and 2015 (Barnato, 2015). Even if this overstates the impact of the anti-corruption measures, arguably the delicate communication process between local and central decision-makers that has been a key pillar of the CCP’s adaptability has already been severely disrupted. This is reflected in a sharp decrease in local pilot projects since 2012 (Heilmann, 2016, p. 19).

These institutional changes and associated developments have been making themselves felt across the board. Minzner argues that the pace of economic reforms had already begun to stagnate well before Xi Jinping took power. However, since 2012 reforms are no longer stagnating, they are being actively unwinded in a wide range of areas (Minzner, 2018, pp. 23–35).

### **4.3 The Reassertion of the State in the Economy**

Of the ambitious reform agenda passed at the 18<sup>th</sup> Party Congress one statement, in particular, caught the attention of analysts and international media alike, namely that “the market must become the decisive force in the allocation of resources.” However, much less attention was paid to the fact, that in the same communiqué that proclaimed the decisive force of the market also promised the consolidation “of the leading role of the state-owned sector” (Elizabeth C. Economy, 2018, pp. 98–99). Unfortunately, this contradiction was soon resolved in favour of the state sector.

Despite benefiting from lower taxes, preferential interest rates and privileged access to economic resources, Chinese SOEs have a history of underperformance, with their biggest contribution to China’s economic growth in the reform era being to get out of the way of private businesses. Although the state sector is responsible for only 20% of China’s economic output and 10-15% of employment, Chinese SOEs account for 9 out of the 10 largest Chinese companies, control 40% of enterprise assets and play a significant role in several strategic industries. Additionally, while they earn only 3% of enterprise profits they hold 70% of all corporate debt (Magnus, 2018, p. 66), with their total debt standing at almost 120% of GDP (McMahon, 2018).

It is not as if previous administrations had not launched several reform efforts to make SOEs more market-oriented, but all of these initiatives have suffered from multiple often conflicting objectives. Above all, there is the fact that Chinese policymakers are loath to diminish their control over what they see as one of their most useful tools for directly influencing the Chinese economy. While more efficient state firms would be desirable, SOE's must also be able to fulfil several other objectives like pioneering technological development, pursuing China's strategic interests abroad and maintaining macroeconomic stability. For instance, in the aftermath of the 2008 financial crisis stimulus funds were channelled through the state-owned sector in order to boost aggregate demand (Naughton, 2018b, pp. 377–378, 384). Thus, the most recent reform efforts are more focused on perpetuating the current status quo rather than finding new ways of making the state-owned sector more profitable (Lardy, 2019, pp. 78–79).

The current Chinese leadership considers SOEs to be a crucial part of its “Made in China 2025” initiative and similar industrial policies that seek to ensure China's global dominance in key technologies like artificial intelligence, electromobility, and robotics. Additionally, Chinese SOE's are also heavily involved in Belt and Road Initiative infrastructure projects – Xi's premier foreign policy initiative. Therefore, the Chinese

government is willing to accept subpar economic performance of the state-owned sector in order to maintain its current level of control over the Chinese economy. However, the state-owned sector represents more than just a minor drag on China's economic growth, had the return on assets of SOE's converged with those of private companies, by 2015 China's GDP would have been 13–15% larger (Lardy, 2019, pp. 15, 96–97).

There are many analysts who have argued that the PRC's slowing growth reflects the natural maturing of the Chinese economy (Lardy, 2019, p. 61). From this perspective Xi's reform, rollback is merely exacerbating a structural growth slow down rather than being the cause of it. Yet, this assertion is challenged by Lardy who contends that slowing Chinese growth after the financial crisis in 2008 was largely driven by transitory factors such as the transition from an export-led economic growth model towards a more domestically focused one. Thus, if China were to return to a market-oriented reform strategy, it might well sustain an average growth rate of 8% for decades more (Lardy, 2019, pp. 95–96). However, for the CCP economic growth was only ever a means to preserve party control over China never an end in of itself and is of little value if it means ceding control over China's economy let alone its political system (Boustany and Friedberg, 2019, pp. 7–9). Even if this means

undermining the party's primary source of legitimacy.

## **5. New Modes of Legitimacy with Chinese Characteristics**

### **5.1 Adapting Performance Legitimacy vs. Maintaining Middle-Class Support**

In the introduction, I already alluded to the possible existence of alternative strands of legitimacy employed by the CCP. Indeed, already in 2010, Holbig and Gilley had found empirical evidence for an ‘unusually agile, responsive, and creative party effort to maintain its legitimacy’ through a combination of “economic performance, nationalism, ideology, culture, governance, and democracy as defined in terms of popular sovereignty under the leadership of the party” (Holbig and Gilley, 2010, p. 414). In the following, some of these alternatives to performance legitimacy will be discussed in more detail.

Performance legitimacy may be becoming less viable in its current form, but this does not necessarily mean that the CCP leadership must or even should entirely abandon it as a source of legitimacy. Essentially, if economic performance becomes more difficult to attain could not a shift towards providing better access to public goods and services be able to sustain performance legitimacy? Particularly in the Chinese case, this is an extremely pertinent question, due to the de-facto

existence of a two-class system in China's urban areas.

Now, this requires some context: China's economic rise was in large parts driven by its urbanization with almost 300 million rural migrants moving into its cities. However, these migrants were not simply assimilated into the present urban population and instead continue to face considerable discrimination due to the Hukou household registration system. This system dates back to 1958 and assigns Chinese citizens two registration statuses either “agricultural” or “non-agricultural,” with future generations inheriting the status of their parents irrespective of their actual location or vocation. This is problematic because the hukou system determines access to education, health-care, unemployment insurance, and low-rent public housing, essentially barring rural-urban migrants from these services (Dreger and Zhang, 2017, pp. 7, 12). Accordingly, this system does not just cement the massive socio-economic imbalance between urban dwellers and rural migrants but passes it on to future generations. Consequently, rural-urban migrants consistently report considerably lower happiness than either rural or urban population (United Nations Sustainable Development Solutions Network, 2018, p. 71).

Considering, that government action on this issue has the potential to not only appease the

unhappiest segment of the population but also to boost China's economic growth by facilitating the migration of labour to where it can be most productive, Hukou reform would seem like the obvious course of action (Monkman, 2015, pp. 84–86). Indeed, there has been a broad consensus among scholars, journalists, and even the CCP leadership that hukou reform if not outright abolition should be at the top of the reform agenda. Nevertheless, despite the ambitious “National Plan on Urbanization (2014-2020)” issued by the Central government that seeks to provide 100 million new urban hukous by 2020, progress has been slow. In part, this has been due to the fact that it is predominantly the local and provincial governments rather than the central government that set the requirements for granting a local hukou (Chen and Fan, 2016, pp. 10, 13–14).

However, this alone cannot account for the slow progress on what the CCP leadership considers to be one of their most important policy objectives. Instead, the answer to this quandary probably lies in the attitude of the urban middle class would take towards a comprehensive overhaul or even the elimination of the Hukou system. As one of the primary beneficiaries of economic growth, the urban middle class generally displays high levels of regime support and is wary about anything that might destabilize the current system – and their position in it (Dickson, 2016, pp. 229, 309–310; Miao, 2016, pp. 182–

186). However, the hypothetical abolition of the hukou system would represent a fundamental threat to their vested interest. Since, in absence of an increase in funding providing an additional 300 million people with the same level of access to public services as currently enjoyed by the urban middle-class, the quality of these services must necessarily decline.

Hence, hukou reforms must be carefully balanced with maintaining the support of China's middle class, explaining the near-glacial pace of reform in this area. Consequently, migrants have not shown much interest in what little improvements have been implemented. Although hukou conversion is now possible this remains mostly limited to small and medium-sized cities and if migrants convert their rural hukou this also means losing their land property rights (Chen and Fan, 2016, pp. 9–10, 14–16). At least in case of the latter issue, there is currently an effort underway to finally create a “nationwide system of secure and transferable property right in agricultural land.” However, it is rather telling that the significance of such a major reform is being deliberately played down by Chinese policymakers. Yet, at the same time, there has also been a central-government directed effort underway to expel migrants from Beijing in order to reduce the strain on the city's infrastructure (Buckley, 2017; Buckley, Wee and Wu, 2017; Naughton, 2018a, pp. 5–

6, 10). Nevertheless, for the CCP adapting its performance-based legitimacy strategy to the changing circumstances still constitutes the most promising alternative or at least complement, to legitimacy derived from economic performance.

## **5.2 The China Dream: A New Ideology for a New China?**

In the decades following Deng's quasi-capitalist reforms and before the rise of Xi Jinping, many outside observers considered ideology to be largely meaningless as a source of legitimacy in contemporary China (Dreyer, 2012; Holbig, 2013, p. 61; Zeng, 2016b, p. 3). However, this stands in marked contrast to the view from many Chinese intellectuals who arguably never stopped and still widely regard ideology as key to maintaining the CCP's legitimacy (Zeng, 2014). Zeng argues that this cleavage stems from two misconceptions about ideology in contemporary China. First, by conceiving of ideology as a belief system and second that the ideology in question must be based on communism (Zeng, 2016b, pp. 15, 97).

Instead, Zeng contends that ideology in China should be understood as a form of discourse (e.g. political language) that includes, but is not limited to, a belief system.” In fact, it was Deng Xiaoping himself who in reaction to the 1989 protest argued that it was the “biggest mistake” that reform and opening up had not been accompanied by a

political and ideological education campaign for the Chinese people. Thus, the CCP adopted a “dual ideological” strategy consisting of a “formal ideological discourse” that is still steeped in the rhetoric of a Sinicized Marxism primarily aimed at ensuring party cohesion and an “informal ideological” discourse aimed at justifying autocratic rule to the population at large (Zeng, 2016b, pp. 17–18, 22, 129, 149).

However, while the CCP has never stopped employing ideology as a source of regime legitimacy, under the leadership of Xi Jinping these efforts have taken on an entirely new level of intensity. In contrast to a formal ideology that is based on a coherent value system, informal ideology depends on fluid and at times relatively incoherent values. Nevertheless, there are three core elements that have remained a constant of Xi's “informal” ideological strategy, and that have arguably continued to increase in significance throughout his time in office: Namely a discourse of (in)stability, Chinese exceptionalism and perhaps most significantly nationalism (Zhao, 2016a, pp. 1168–1169).

As already mentioned there exists a strong almost overriding desire for stability within Chinese society. Presumably, a consequence of the instability of the Mao years as well as a widespread unwillingness to disrupt a system that has delivered such impressive economic results in the past. However, while the CCP

may not have created this yearning for stability, the party has done its utmost to foster and expand it. The means by which it has done so is by engaging in what Zeng calls “two intertwined discourses” that shape the language of official statements and the Chinese media landscape: One discourse on stability and one discourse on instability (Zeng, 2016b, pp. 122–123). The key elements of the discourse on stability are spelt out by a state council white paper which argues that due to the unique characteristics of the Chinese nation such as its large population and vast territorial size only under “CCP leadership and rule” will China be able to achieve “modernization” and “development”(Zeng, 2016b, p. 123).

However, this positive narrative that established the necessity of CCP rule is accompanied and arguably overshadowed by a negative “discourse of instability” that seeks to delegitimize democracy as a political alternative. This is accomplished by reframing events outside of China to equate democracy and chaos. Thus, the rise of populism in the West and particularly the election of Donald Trump and the Brexit vote have been covered extensively to demonstrate that democracy and multiparty elections lead to ineffective governance and social instability (Shi-Kupfer *et al.*, 2017, pp. 17, 31). Unquestionably the CCP has been highly successful in shaping and controlling the narrative on this issue, resulting in a

population that continues to displays high levels of support for the abstract principles of democracy, but rejects their practical implementation in China (Miao, 2016, pp. 171–182).

Closely related to this discourse on (in)stability is the propagation of the idea that China’s contemporary political system is derived from its unique culture and historical traditions. “Traditional values” and philosophical ideas like Confucianism that the party once sought to eradicate, are under Xi being revived and actively encouraged. Yet, far from being just a “bulwark” against, foreign “ideologies and religions”(Minzner, 2018, pp. 126–129, 138–141), the CCP also employs an “idealized version” of history to legitimize the present form of the political system. To pick just one example the party draws for instance on the supposed meritocracy of the imperial examination system used in ancient China to justify withholding power from the large majority of the population (Zeng, 2016b, pp. 142–143).

However, the component of the CCP’s ideological legitimation strategy that has received by far the most attention due to its implication for China’s foreign policy is undoubtedly growing Chinese nationalism. In fact, that are quite a few foreign scholars who argue that nationalism has arguably become the CCP’s sole ideological foundation (Holbig and Gilley, 2010, p. 402; Zeng, 2016b, p. 13). Since 1989 the party has cultivated the

historical narrative of a “century of humiliation” which was imposed on China by foreign powers and that was only brought to an end by the heroic struggle and sacrifices of the Communist party. Through a comprehensive “patriotic education campaign” this narrative of humiliation has become deeply ingrained into the collective consciousness of the Chinese people and is central to contemporary Chinese nationalism (Wang, 2012, pp. 98–100, 169, 185). This campaign has been particularly successful among young and highly educated Chinese who otherwise display relatively low levels of regime support (Wang, 2012, p. 116; Dickson, 2016, p. 231).

Thus, when Xi introduced his grand vision of a “China dream” his central theme was the idea of a “national rejuvenation” that would restore China to its rightful position of pre-eminence. By portraying one-party rule as the precondition for the “rejuvenation” of China the CCP has sought to promote the inseparability of the party-state and of the nation as a whole. Accordingly, any criticism of the CCP becomes an unpatriotic act (Zhao, 2016a, p. 1192). However, while the CCP may have facilitated the rise of Chinese nationalism, by now it has become a force in its own right. So far, the CCP has been able to keep a tight leash on spontaneous expressions of popular nationalism and was even able to employ carefully directed

nationalist outrage to its advantage in its foreign policy (Zhao, 2013, pp. 10–20).

Yet, trying to steer such a volatile force is playing with fire and Beijing could easily see itself compelled to escalate tensions in the South China Sea or on the Taiwan question by a highly emotionally invested domestic audience against its better judgment (Wang, 2012, p. 187). Worse, if the CCP fails to respond to nationalist demands and expectations the anger that is being directed outwards could easily turn against the party itself (Shi-Kupfer *et al.*, 2017, p. 53). Building upon the work of his predecessors Xi Jinping has arguably set into motion the most sustained effort to promote ideology as a source of regime legitimacy since 1978. However, the public sphere of acceptable discussion is becoming increasingly restricted and the harsh punishments for those that find themselves outside of it risk alienating a considerable part of the population (Shi-Kupfer *et al.*, 2017, pp. 32–34).

### **5.3 Personalizing Legitimacy: The Makings of a Red Emperor?**

It has become accepted wisdom that Xi Jinping has become the most powerful Chinese leader since Mao Zedong. However, this is not where the parallels end. Just like Mao, Xi is the at the centre of a growing cult of personality. This is significant because Mao derived a considerable degree of political legitimacy from his charisma and force of

personality (Moody, 2011, p. 98). Therefore, could Xi's personalized style of political leadership now also signal a return to a more personality-based form of legitimacy like during the Mao years?

From the very start Xi has projected the populist image of being a man of the people. In marked contrast to his direct predecessor Hu Jintao who was known for his stilted public appearances, Xi has also adopted a much more outgoing approach in his interaction with the public (Minzner, 2018, p. 30). Chinese state media and the CCP propaganda department have built upon this image to portray Xi as possessing both admirable moral qualities yet remaining approachable." This state-directed campaign has been characterized by extensive television coverage and a veritable flood of fawning articles about Xi's personal life such as him waiting patiently in line when visiting a local restaurant or highlighting his selfless service in a small village during the cultural revolution (Elizabeth C. Economy, 2018, p. 24).

As Ryan Mitchel notes Xi is essentially being depicted as "a tireless, self-sacrificing servant of the people and of their revolutionary project" (ChinaFile, 2016). Conversely, when Ren Zhiqiang a real estate tycoon dared to publicly criticize Xi for stating that Chinese media must tow the party line, many state media outlets attacked Ren in a manner, which for many Chinese was reminiscent of

the cultural revolution. Additionally, Reng's Weibo microblog account with 34 million followers was closed by the State Internet and Information Office for "releasing illegal speeches" (Gore, 2016, p. 6).

However, the most remarkable aspect of Xi Jinping's evolving cult of personality is not so much the extent of the state-directed effort, but rather the intensity of the bottom-up response. Xi's anti-corruption campaign has won him genuine popular support and for Flew and Yin constitutes a "solid basis" for a society-driven personality cult. They argue that with no realistic prospects for political change, for some Chinese the personality cult around Xi embodies the "hope for changing the current reality" of widespread corruption. Thus, the most popular forms of this bottom-up personality cult are so-called "red songs" and poems like "Xi Dada Loves Mama Peng" or "China has brought forth a Xi Dada" that portray Xi as a father figure taking a courageous stance against corruption. For a time the term "Xi Dada" meaning either "Daddy Xi" or "Uncle Xi" that had first emerged online was even taken up by the state media. (Flew and Yin, 2018, pp. 88–91, 93)

Nevertheless, for many Chinese who have lived through the upheavals of the Cultural revolution the re-emergence of a Mao-like cult of personality is deeply troubling. In response, the state-directed efforts to establish a cult of personality were toned

down and there is little indication that at this time Xi seriously considers pursuing personality-based legitimacy a worthwhile goal (Luqiu, 2016, pp. 11–15). However, since Xi could potentially remain at the centre of power for decades to come, a personality-based legitimacy strategy might become more attractive as time goes by.

As this discussion has shown the CCP leadership has been actively pursuing several alternative sources of legitimacy and is therefore not solely dependent on performance legitimacy as has often been asserted. However, just because there are several alternative options available, this does not mean that performance legitimacy can be easily replaced.

## 6. Conclusion

As established at the beginning of this paper, the PRC has an impressive track record when it comes to defying predictions about its political and economic development. This is a fact that any scholar who approaches the question of legitimacy in contemporary China neglects at his own peril. However, just because predictions about China's inevitable democratization have been proven wrong again and again, one should not make the opposite mistake of ascribing to CCP rule unbreakable "authoritarian durability" (Holbig and Gilley, 2010, p. 20). After all, what has made CCP rule so stubbornly persistent was the unique model of

authoritarian development pioneered by Deng Xiaoping. However, under the direction of Xi Jinping, this model is being dismantled step-by-step and instead, the PRC is now in danger of regressing into a conventional authoritarian strongman regime – with all of the associated disadvantages (Düben, 2018, pp. 10–14).

As Deng already warned in 1980: "Over-concentration of power is liable to give rise to arbitrary rule by individuals at the expense of collective leadership [...] There is a limit to anyone's knowledge, experience, and energy. If a person holds too many posts at the same time, he will find it difficult to come to grips with the problems in his work and, more important, he will block the way for other more suitable comrades to take up leading posts" (Deng, 1980). Therefore, if the PRC continues down the path of personalist authoritarian rule, it seems probable that performance legitimacy will become increasingly difficult to sustain.

Nevertheless, while there are several viable alternative sources of legitimacy, all of the options laid out above come with serious disadvantages attached. Trying to shift towards a different mode performance legitimacy might upset China's delicate social balance. While a stronger emphasis on ideological legitimacy runs the risk of Chinese nationalism turning against the party and pursuing a personalist legitimacy strategy raises the spectre of the cultural revolution.

This, of course, does not mean that the CCP will not continue to leverage these alternative modes of legitimacy for all they are worth. Yet, for the time being, none of them appears to be able to replace economic performance as the dominant source of legitimacy in China. Thus, maintaining a strong focus on economic performance is still the best option for safeguarding CCP rule and if Lardy is to be believed this remains very much in the realm of possibility – provided the party leadership returns to a market-oriented reform strategy (Lardy, 2019, pp. 95–96).

However, we simply do not know enough about the internal processes of the

Communist party to accurately predict whether the PRC will continue down the path of personalist authoritarian rule, or if rising intra-party discontent will force a return to collective leadership or if events will take another direction entirely. This lack of data is further exacerbated by the rapidly evolving situation and a tendency for change to happen very suddenly in China. Thus, to borrow the expression Aron Friedmann used to describe the Sino-American relationship more than 15 years ago: At present China's political future remains unknown and perhaps also unknowable. (Friedberg, 2005, p. 40).

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