

# Why Xi Jinping's China will clamp down harder on domestic criticism

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Chinese leader Xi Jinping's [New Year Address](#) for 2023 offered a largely upbeat message for a nation that continues to be beset by a once in a century pandemic. Yet one line in particular caught the attention of China watchers: 'It is only natural for different people to have different concerns or hold different views on the same issue.'

The statement was seen by some as a response to [widespread protests](#) in late November targeting China's harsh 'dynamic zero' COVID policy – which was abandoned not long after protests peaked. Could this be a signal that 2023 will see the Chinese Communist Party (CCP) adopt a more tolerant or responsive approach to domestic criticism directed at its leaders more generally – in contrast to the clampdown on dissent that has been one of the hallmarks of Xi's rule?

In reality, 'mass incidents' in China – both the official blanket term for many forms of social unrest and a euphemism for protests – have been prolific throughout much of the 21st century. To varying degrees these incidents have been tolerated and even [responded to](#). Yet there is an important distinction between many earlier 'mass incidents' and the recent COVID-19 protests: The former often took aim at [local officials](#) and government organs, whereas the latter directly targeted the central government.

That difference may have been due to the party leadership's much publicised role in directing the pandemic response. Going forward, perceptions of the centralisation of political power under Xi's tenure means that this could also be a harbinger of where anger might be directed in any future protests. In theory, this could inspire a more consultative form of government, as Xi's speech could be read to imply, but the party's traditional hard line on criticisms against its 'core leadership' could also mean that such a trend might ultimately result in less tolerance toward dissent.

## Reform-era China's 'centralised minimalism'

To understand why public pressure could become a bigger problem for the central government, it is useful to explore why many protests in 21st century China predominantly targeted subnational governments. One reason concerns local governments' historically higher levels of autonomy – which, on the surface, appear to have been eroded over Xi's tenure.

The distinguished historian Professor Phillip C. C. Huang coined the term '[centralised minimalism](#)' to describe an enduring feature of China's polity, which extends back to its imperial era. Put simply, this defines a system whereby lower levels of government perform a broad range of administrative functions, while those occupying higher levels took responsibility for hearing complaints against local leaders, mediating disputes, and initiating sanctions against those who misused their authority. The long legacy of this dynamic arguably

lies behind peculiar anachronisms in modern China, such as [petitioners](#) descending on the capital to voice grievances against local officials.

In line with Huang's theory of centralised minimalism, the subnational levels of government in China's post-1979 reform era – provinces, prefectures, counties, and villages/townships – largely operate as their own fiscal units (with villages/townships being the exception). The various levels of local government exercise a comprehensive range of responsibilities covering public services, economic development and social affairs. However, their place at the coal face of policy implementation, combined with the national bureaucracy's prerogative to appoint and punish provincial leaders, opened an accountability deficit for central government policy makers.

Prior to Xi's rise, this was leveraged by the central government as it pursued what some have termed a '[growth at all costs](#)' policy agenda. This allowed Beijing to reap the financial and reputational benefits of high growth, while lower level officials were left to do the dirty work, and receive the brunt of the political backlash, for this policy's escalating social and environmental costs.

Under this system the central government did not explicitly direct local governments to, for example, embrace heavily polluting industries. Rather, pressure was applied through indirect means. For instance, performance evaluations for local leaders, which determine their dismissal, retention, or promotion, placed an almost exclusive premium on GDP growth.

At the same time, local governments were squeezed of the legitimate forms of revenue they needed to stimulate or restructure their economies due to tax reforms implemented in the mid-1990s. The changes transferred more power to the central government to determine the type and rate range of taxes all levels of governments could levy. While local taxes subsequently remained below 50 percent of total tax revenue, public budget expenditures further [decentralised](#), with subnational governments' spending share rising to about 85 percent of total expenditure.

This, and frequent requests for local governments to foot much of the bill for a raft of stimulus programs initiated after the Global Financial Crisis, contributed to massive fiscal shortfalls and skyrocketing debts. The latter became so serious that some local governments selectively [defaulted on loans](#) from smaller commercial banks, while many shuffled mountains of debt from their balance sheets into instruments such as local government financing vehicles (LGFV).

The stresses these conditions placed on subnational governments, combined with lax central government oversight, compelled local officials to pursue aggressive pro-business and revenue raising policies that ripened conditions for loose corporate regulations, corruption, and collusion, and, ultimately, sub-optimal social and environmental outcomes. Cases of cash-strapped governments [misappropriating land](#), or doing so without adequate compensation, became a major source of public grievances, especially in less developed regions. Collusion between local governments and business tycoons contributed to [rising](#) inequality and the widespread trampling of workers' rights, with many exposed to [exploitation, wage theft](#) or [unsafe labor conditions](#).

Local government contradictions also contributed to extensive [ecological and environmental damage](#), with industrial pollutants giving rise to large numbers of '[cancer villages](#).' Similarly, subnational governments failed to implement national water standards, resulting in [approximately 70 percent](#) of China's lakes and rivers becoming unfit for human use.

These factors together fed into the staggering rise of 'mass incidents' in China over the turn of the 21st century, which on several occasions reached an annual total close to 100,000 (peaking at [180,000](#) according to one [unofficial estimate](#)). Yet in the bulk of these incidents, anger was foremost directed at local governments and judiciaries, with few aware of the broader structural conditions, perverse incentives, and systemic pressures that lay behind the increasingly mercenary subnational political culture.

The widening accountability deficit was manifest in protesters and local officials competing to stay in the good graces of Beijing, with aggrieved citizens often appealing to central party leaders – as the 'uncorrupted' arm of big government – to step in and punish local officials. The explosion in the number of petitioners

descending on the capital to lodge complaints became so large that a new industry of hired hands and illegal ‘black jails’ flourished, whose task was to intercept and detain petitioners on behalf of local officials so as to ensure that their cases were never heard.

## Xi’s rise and Beijing’s ‘taking back the reins’

When Xi rose to the position of the general secretary of the CCP in late 2012, rampant unrest and streams of petitioners besieging the capital convinced the Central Committee that endemic malfeasance represented an existential threat to the party. Yet the measures that were adopted in response failed to uproot the broader structural foundations of the problems – while arguably strengthening the impression that the central government had stamped its authority on subnational officialdom.

In late 2013 the CCP effectively abandoned its ‘growth at all costs’ agenda, after [pledging](#) to ‘correct the bias towards assessing [officials] on the speed of economic growth and increase the weight placed on other indicators’ including ‘environmental damage, ecological benefits..., work safety and newly-added debt.’ Aside from reducing perverse incentives for local leaders, Xi pursued his high profile anti-corruption drive, which, according to statistics released by the party in 2016, resulted in the punishment of more than [1 million](#) officials in just three years.

To alleviate structural pressures, the central government also set about addressing local governments’ [fiscal shortfalls](#) and burgeoning debts. In 2019, for instance, the State Council made a [permanent provision](#) to hand over 50 percent of the nation’s value-added tax (VAT) revenue to local governments and increase their share of revenue from sales taxes. In 2022, a record 9.8 trillion yuan was [earmarked](#) for transfer to local governments to address growing shortfalls. The central government also [stepped in](#) to stop LGFVs from defaulting on loans, encouraged regulators to relax bond issuance rules, and green-lighted debt restructuring programs led by the China Development Bank.

## Unforeseen consequences

The message this sent was that the nation’s leaders were back in control, and that local officials had no valid reasons, let alone any tacit mandate, to violate party regulations or national laws. However, the effect of measures to curtail corruption were questionable – with [some](#) claiming the dominant mode of corruption merely shifted toward exploiting [elite political connections](#). Tax and other reforms blurred the stricter fiscal divisions between different levels of government that marked the old system, subtly shifting perceptions of the locus of responsibility toward the central government. Yet these measures were unable to substantially alleviate the [fiscal](#), debt and expenditure [stresses](#) that lay at the root of local governance issues.

These problems, moreover, were [exacerbated](#) as a result of revenue losses, [higher debt levels](#), and skyrocketing expenditures, many resulting from Beijing’s aggressive strategies to defeat the pandemic. In 2016 the subnational government [debt crisis](#) was already burgeoning, with non-financial corporate debts in local government state-owned enterprises (SOEs) already amounting to [70 percent of China’s GDP](#). During the first peak of the pandemic in 2020, hidden subnational debt, such as that locked in LGFVs, [was valued at](#) 45 trillion yuan (roughly 44 percent of China’s GDP). In 2021 debt stock was [estimated](#) to have exceeded total income in 22 provinces, and last year, provinces faced a record of 440 billion yuan in bond payments.

Yet, according to an official interviewed by [Bloomberg](#), a ‘heavy load’ of spending mandates continued to be issued and threatened to ‘overwhelm local government’s finances.’ [According](#) to Xing Zhaopeng, a senior China strategist at the Australia and New Zealand Banking Group, massive debts and spending mandates meant ‘less developed regions may even have problems paying salaries to government employees and public school teachers,’ while George Magnus, an associate at Oxford University’s China Centre, has claimed the ‘huge pressure... of maintaining zero-COVID’ has already prompted ‘instances where public services are being scaled back, [and] local assets or services sold.’ If the major problem with subnational government prior to Xi was corruption, its future woes could well be in the form of dysfunction.

What this means is that without further structural reforms, not only will these problems continue to fester, but China’s ‘core leadership’ may find itself increasingly unable to escape bearing the brunt – or at least a greater share – of criticisms for them. These problems also threaten to be augmented by a more fundamental

political issue the COVID-19 crisis has arguably exposed – that the potentially life-long, increasingly autocratic leadership of Xi could well follow the trajectory of others who became unwilling or unable to see the adverse ramifications of ill thought-out policy decisions.

In the same vein, the response to the COVID-19 protests offers limited optimism for those that think the central government may become more responsive to criticism. Xi may have talked the talk in his New Year's address, yet privately, he has allegedly [downplayed](#) the protests as mainly the doings of frustrated students. State media, moreover, continued to [censor or distort coverage of protests](#), the Great Firewall has stood firm, and COVID-19 protesters – as with their Hong Kong counterparts – have found themselves labelled the willing or unwitting lackeys of 'foreign forces.'

Foreign leaders, international journalists, and others could well find that these developments will make Beijing more sensitive about efforts to bring attention to what Beijing views as its 'internal affairs.' Growing central government unease created by such a shift in domestic criticism, should it occur, could well prove a more enduring impediment to China's tolerance for robust international engagement with ideologically unaligned democracies.

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