

China's Corrupt Meritocracy with Yuen Yuen Ang March 3, 2021

William Hsiao: Good afternoon everyone, welcome to the forum on Critical Issues Confronting China. Today we're really privileged to have a new academic star who studied the contemporary China to give us a presentation, she's Yuen Yuen Ang from Singapore but then came to United States for college and graduate school. Let me tell you what kind of talented research work she has done. I would say she used a new approach to study contemporary China by applying complex and systematic thinking to study the political economy of China. She relied on empirical evidence but more than that, she actually through field work interview people, collect primary data by herself and her team so as a result she does both qualitative and quantitative methods to employ both in her work and give a richness that often lacking if one person just use qualitative or quantitative method alone but foremost I believe she takes a balanced view for China. She's not trying to criticize China or trying to actually be, trying to excuse China, she give us an objective balanced view so I found her most recent book, *China's Gilded Age* gives me a new understanding about corruption and when she actually decompose corruption into what she called unbundled corruption index, that really is for the opening up of the black box and gives us really a new understanding of corruption and the consequences of different types of corruption. Yuen Yuen has already been recognized by the academic and public world, she's a full Professor of Political Science at The University of Michigan, she has recently won the founding prize of Theda Skocpol Prize from American Political Science Association. And she also was named the prestigious Andrew Carnegie Fellow. So without further ado, I give you Professor Yuen Yuen Ang.

Nick Drake: If I might just jump in briefly, my apologies professor, I want to just let people know how the Q & A works because I'm sure we'll have lots of great questions from this, so those of you who have been here before do know there is a Q & A tab at the bottom of your screen, just enter any questions you had in there during the talk and we'll try to get to as many as possible. If you want to be anonymous click the anonymous box, if not please kind of let us know who you are, where you're from, so we know who's asking the question, thanks.

Yuen Yuen Ang: Thank you very much, thank you to the Fairbank Center for inviting me and a big thank you to Professor Hsiao I'm really...a reward for any author to have your books read and you've gone way beyond that so I'm incredibly thankful to your generosity. It gives me special pleasure to speak today at The Fairbank Center, particularly this year as a small way of honoring the legacy of Professor Ezra Vogel who had directed the center. Professor Vogel bequeathed a great deal of wisdom for the world, including the center and people around the world who have been inspired by his scholarship and his virtues as a person and I'm one of them so if you indulge me, let me share one remembrance before I go into my presentation.

Yuen Yuen Ang: So I happen to know a Chinese professor who teaches Marxist theory in China, so as you can imagine she is very politically correct, never says a critical word about politics, always tows the party line and one day she comes to me excitedly and says, almost shaking my shoulders and says, do you know that there is this book in Chinese that writes about the Tiananmen? And I was like, cool, which book is that? And of course she holds out the Chinese version of this book and so I gave her my English version as a gift because I have

several copies of that but what that tells me is the incredible ability of Professor Vogel's scholarship to reach across divides, to speak to Chinese and American conservatives and liberals alike and so that has had a real deep inspiration for me and you can see that in today's presentation if I could share this screen, I hope everyone is seeing this screen, yes, okay. So this famous biography of Deng by Professor Vogel has a deep impact on me, I remember meeting Professor Vogel back when I was a graduate student and when he was writing this book and he said he wanted to write a biography of Deng because Deng is the most important part in Chinese history and he wanted to help Americans understand this history and he used a story of one leader, a very important leader, to tell a bigger story about China's transformation which is not just about China's transformation but also about the transformation of the world.

Yuen Yuen Ang: So in the spirit of this scholarship, today I'd like to share with you the stories of two Chinese leader, national level but at the sub national level and using their stories, I believe we can get a glimpse into the story of China's gilded age which Deng Xiaoping had launched in 1978. So the story begins at a turning point in Chinese politics, November 2012, the newly anointed paramount leader Xi Jinping delivers his first speech to the Politburo, on the top of his agenda is corruption, he did not mean his words. Corruption, he declared, will doom the party and the nation if it is not treated. China has an abundant stream of corruption scandals, almost every day a new one appears on the news and one of the most egregious cases is Lai Xiaomin, the chairman of a state owned asset management company. Lai amassed nearly 2 billion yuan in bribes and he was notorious for having more than a hundred mistresses. Stories like these seem to indicate that China is... One prominent example of this interpretation is Minxin Pei's book, "China's Crony Capitalism." Based on 260 corruption scandals reported in the media he concludes that China is a kleptocracy with a predatory autocratic regime marked by utter lawlessness.

Yuen Yuen Ang: Now these are big words so let's make sure that we understand what he means. Kleptocracy means rule by thieves, a government in which those in power steals. Predatory means a government that extracts from society and provide little public goods. Now if Pei's dire portrait of China is correct, then that generates a deep puzzle. As the Philippines on the Marcos and Nigeria on the Abacha, were all mired in poverty, if China is indeed a predatory kleptocracy then why has it sustained four decades of economic growth and transformation? Pei's answer is consistent, in 2006 he warned the international community to start preparing for China's descent into long-term stagnation and 10 years later, he repeated the CCP is in late stage decline. In other words he's saying, just wait, the end is coming but regardless of what happens in the future, how China has come so far in the past 40 years from a communist backwater to the number one competitor of the United States remains to be explained and that is the task of my book.

Yuen Yuen Ang: My answer is simple, in fact China is not a usual predatory kleptocracy but a bureaucracy with corrupt and competent officials. To unpack this answer, today I draw on one particular chapter of my book *China's Gilded Age* and as a first step, we'll take a look at what corrupt and competent officials look like in reality. That will raise deeper questions such as why do they behave in this way and what are the effects of Xi's anti-corruption campaign? Those will be addressed in other parts of the book and we are happy to chat about that during the Q & A. For now what's important to know is that media scandals are one sided, they don't tell you that

many corrupt leaders were political stars before they fell, famous for promoting growth and delivering results.

Yuen Yuen Ang: One notorious example is Bo Xilai, the former Chongqing party secretary and Xi Jinping's political rival who fell in 2012, another is Ji Jianye, mayor of Nanjing who fell in 2013, now let's take a look at their rise and fall. For those of you who remember 2012 which amazingly was nine years ago, Bo Xilai's scandal dominated a news cycle all year long, today he's mostly forgotten but there is value in revisiting his case because his scandal and the corruption crisis that he represented defined the moment of Xi's rise. There are few things you should know about Bo Xilai, first of all he is a princeling, the son of Bo Yibo, one of the CCP's most senior leaders, so you can think of him as a modern day Chinese aristocrat and while most Chinese politicians were dull and unmemorable, Bo was praised by the media as tall, handsome and charismatic, the BBC described him as the nearest thing that China has to a Western style politician. In 2007, Bo was inducted into the Politburo which makes him a contender for the top post but in that same year, perhaps because the central leaders under Hu Jintao were rattled by his ambition and charm, they sent him off to far away Chongqing, a Southwestern backwater as the provincial party boss but instead of lying low, Bo kicked up the biggest splash possible.

Yuen Yuen Ang: Within five years Bo Xilai astonishingly turned around Chongqing fortunes, transforming it from a poor inland province into an economic powerhouse and a gateway into Western China. His governance and leadership had five key features. First he was statist. Growth was driven by investment and debt, large infrastructure projects and heavy government borrowing. Secondly he was populist. He implemented a number of massive, highly visible projects that benefited the poor. Third, he was trailblazing, advancing policy innovations in areas such as rural land sales. And fourth, he was socialist or at least he wanted to project himself as being more socialist than the other leaders who had snuggled him. He encouraged the mass singing of Maoist songs, Maoist nostalgia and criticisms of capitalism and last but not least, he was not afraid of using coercion. He ordered a violent crackdown on organized crime which in the process implicated more than a number of private businesses who were beaten and tortured. If you took a look at this list, do you find it familiar? Might you have seen it somewhere else?

Yuen Yuen Ang: If it reminds you of Xi, you're probably not alone except Xi's policies are taking place on a national scale today but Bo's fall came as swiftly and as dramatically as his rise, his house of cards came crashing down on sixth February in 2012 when his henchmen and police chief Wang Lijun fled to the US Consulate in Chengdu with incriminating evidence about Bo and his wife. About a month later Bo was officially seized by investigators, by August Bo's wife was sentenced for the murder of a British businessman Neil Haywood, who acted as a fixer and an intermediary for the Bo family and by July 2013, Bo was officially charged with corruption, bribery and abuse of power. To sum up the turn of events an editor at the Wall Street Journal quibbled, it's like a Hollywood movie but apart from the salacious details of Bo's scandals, there are a few important things that you should know about Bo's legacy in Chongqing. First, he delivered impressive economic growth. Under Bo, Chongqing pulled off a double digit annual growth rate of 15% even as the rest of China was suffering under the 2008 financial crisis. In 2006, Chongqing ranked at the bottom 26 out of 31 provinces in GDP growth, as soon as Bo took office in 2007 it jumped to third in rank, reaching first in 2011. Bo's leadership delivered more than just economic growth, in his campaign branded Five Chongqing, he set

goals across five areas of public welfare, residential life, transportation, greening, public safety and public health and he delivered concrete results across all of them. Most notable of all was Bo's large scale construction of low income public housing for the poor. Now contrast his list with Pei's characterization of China as the predatory autocratic regime, where predatory means a government that extracts but does not provide public goods, evidently at least in Chongqing, this is a government that did provide public goods. It is no surprise therefore that Bo was genuinely popular and appreciated and Chongqing, despite the charges of corruption against him. One resident wrote on Weibo, Bo gave us an annual 15% growth, every day he gave 1.3 million rural children free eggs and milk, he gave rural residents the same health insurance as urban residents, I will miss him.

Yuen Yuen Ang: As a princeling, Bo Xilai's status is exceptional but at lower ranks of the bureaucracy, there are other paradoxical figures like him who are neither pure villains nor heroes and one of them is Ji Jianye. Unlike Bo, Ji was born into a poor family in Jiangsu province, he worked his way up a 39 year career starting as the bottom rank, as a publicity officer in Suzhou and then subsequently he rose to leadership positions in Kunshan, Yangzhou and Nanjing. In 2013, Ji's career came to an end when he was seized for corruption making him the 10th vice minister level official to fall in Xi's crackdown on corruption. Media description of officials are very different before and after they fall, here's a list of the top 10 worst that the state media used to describe Ji Jianye after he was investigated for corruption, naturally all the focus was on his problem, power and corruption. Before he fell however, he was connected with very different words, he was described using the words, development, urbanization construction, society services, industries, economy and civic affairs, painting the image of a leader who got many things done. In particular, Ji was most remembered for his legacy in Yangzhou, where he was the party secretary from 2002 to 2009. Nanfang Weekend, a Chinese newspaper wrote, Ji is the leader who has made the greatest contribution to the city since 1949 and importantly, he did not achieve this feat simply by building ghost cities and redundant industrial parks, rather he practiced adaptive governance. We cannot blindly copy Kunshan, he said, instead we must forge a development path compatible with our conditions in Yangzhou. He decided to brand Yangzhou as a city blending ancient culture and modern civilization and immediately he embarked on a massive demolition and reconstruction project tearing down 130 streets and areas around Yangzhou's river, this earned him the nickname, mayor bulldozer. The locals even coined a rhyme for him, "To demolish he stamps his feet, to topple he points." Ji's ambitious makeover did not only succeed in attracting tourists and investors, it also raised the prices of luxury properties around the refurbished lake and in doing so, Ji increased the stock of personal rents that he could collect from developers eager to buy his favors.

Yuen Yuen Ang: One of them is a privately owned company Gold Mantis which became the primary conduit through which rents were generated and shared, the owners include Zhu Xinliang, also known as the richest man in Suzhou and Ji Jianye... the company's profits grew 15 times during six years of Ji's tenure. It funneled a percentage of stocks to the mayor making this a literal profit sharing scheme where the mayor had a direct share in the profits of this company and indirectly in the prosperity of the city. He deposited this bribe with one of his trusted associates in the company who helped the mayor to invest and make loans using this sum of money but in China, collusion comes with a heavy price. When Ji fell, all of his business associates were detained with him.

Yuen Yuen Ang: So what have we learned from a deep dive into the profiles of two Chinese leaders? We gain a deeper understanding into how crony capitalism really works in China. First, corrupt Chinese politicians are not purely predatory, they can be simultaneously corrupt and deliver not only economic growth but also social welfare and public goods. Second, their personal benefits are linked to growth, making this a system of profit sharing, the more the economy grows, the more rents they can collect. And third, this does not mean that cronyism is good, like the steroids of capitalism it produces serious side effects over time . . . with financial risk, inequality and policy distortions because some sectors generate more rents than others, Chinese politicians have been particularly invested in stimulating the real estate and construction sectors, this has led to speculated bubbles and mounting government debt. And fourth, Chinese crony capitalism is competitive and this is a feature missing in all the kleptocracies. Fierce regional competition means that local leaders must demonstrate ambition and ability in order to attract valuable clients and conversely, the capitalists must also prove themselves able and useful in order to connect with the most competitive and promising politicians like Bo Xilai.

Yuen Yuen Ang: With these insights in mind, how should we evaluate divergent claims about Chinese governance? On the one hand, some insist that China is a kleptocracy that is about to collapse yet another camp praises China profusely for being a meritocracy. Daniel Bell says that Chinese officials are selected according to their ability and virtue. Eric Li whose Ted talk has been viewed three million times says that the CCP is one of the most meritocratic political institutions in the world today, so who is right and who is wrong?

Yuen Yuen Ang: My answer is that both are partial because the full picture is that China is a corrupt meritocracy. Normally we think that this phrase is an oxymoron because merit and corruption should be diametrically opposed, the common assumption is that in a given political system there are some people who are competent and the rest are lousy. And when there is corruption we think the lousy officials are chosen over the competent ones. But China's political system is so enormous that there are more than enough competent officials for a very small number of seats. Their differentiating factor over and above basic competence is ambition, ruthlessness and awesome results. Cronyism helps these ambitious... get things done. You can think of campaign finance in the American context. Take the example of Bo Xilai's favorite associate Xu Ming, who functions as Bo's henchman as well as his family's ATM machine. Xu Ming is the Chinese version of the robber barons of America's gilded age, he was a self-made man. His first pot of gold came from taking charge of construction projects in Dalian when Bo was the mayor. Cleverly, he used soil and sand dug out from one reclamation project to build another massive square, both of these were Bo's signature projects. Caixin, the investigative magazine, described his method as killing two birds with one stone and innovative. What this tells us is that normally the word crony brings to mind goons who are ignorant about doing business but in China's hyper competitive environment, goons will not make it far enough to meet Bo Xilai, let alone work for him, these cronies must also have some level of competence.

Yuen Yuen Ang: A second common assumption is that merit is something intrinsic, either you have it or you don't. But merit in China is cultivated by higher level political patrons who place their proteges in positions where they can easily shine and perform. As a Chinese official who ran a party school and had seen many officials come and go once told me, we are after all a top-down system, not elected by the people, so it is those on top who decide who gets to move along

and ahead. In short, in order to deliver results in the Chinese political system and meet its criteria for merit, Chinese politicians rely both on their corporate clients and the political patrons, rarely can they do it on their own merit. Now if you think about this statement, actually it is not entirely alien to the American political system, except of course that in democracies it is voters who decide who wins office. My final takeaway is this, paradoxes define China's political economy, China's growth is impressive but risky and imbalanced, the CCP is authoritarian but Chinese regions are decentralized and highly competitive. Chinese officials are prone to corruption and yet they can be fiercely capable. Understanding China requires that we resist the temptation to look at only one or the other side of the coin, instead we must accept its paradoxes. Thank you and I look forward to your questions.

William Hsiao: Thank you very much and that's a really interesting presentation to through two cases that show how corruption and meritocracy come together and point you point out what China was able to produce under those corrupt officials. Let me ask you a question, can you give us, relate to your earlier works, how would you classify the corruption done by Bo Xilai and Ji Jianye? As what type of corruption do they engage in, and then how did they share their profits with the lower levels? That's all part of your research work which is so interesting in your book and I thought you should give us some insight about that.

Yuen Yuen Ang: Thank you very much, thank you for giving me the opportunity to expand on other aspects of the book's argument and your first question is, what type of corruption they were engaging in which is a great question. And as I argued in this book, I unbundled corruption into four different types. We think about corruption one dimensionally, as just one of the same thing and these four different types include first of all, petty theft which is extortion, and in the 1980s and 1990s that was very common in China, policemen would basically just come up to you and shake you down for protection money... And that again was very common in the 1990s, the third type is what I call speed money, which is petty bribes you pay to get over red tape and get your business license faster, and today, China in terms of speed money is much lower than other developing countries like Cambodia or India, so the kind of corruption that really dominates and defines China's political economy today is what I call access money, meaning you're paying big bribes not because you're trying to overcome red tape but because you're trying to buy... officials like Bo Xilai and Ji Jianye were able to give their clients, so that is the particular type of corruption.

Yuen Yuen Ang: Another point I would add is that access money in China is also qualitatively different from access money that exists in advanced capitalist democracies like the United States where that kind of corruption is legalized and institutionalized. So we might, in the US we don't call it corruption but we might call it influence paddling or buying access. And so that is why we do see the Trump presidency building its platform on the promise to drain the swamp. So in the US those corruption exists but it's legalized. I think what distinguishes China is that access money is still entirely revolved around powerful officials like Bo Xilai and it's illegal, so it comes in the form of these massive bribes that I have described. How did they share their spoils? There are several ways to do that and it depends on who they share it with. I think there are two main groups of people. The first is the corporate clients with which they share the spoils and I think Ji Jianye is the most illustrative case because they literally set up a company to share the spoils, this company would get construction projects that the mayor assigned to it and so his

development projects in urban rezoning, beautifying the environment, all of that fell indirectly into his business for which he would actually be paid.

Yuen Yuen Ang: The other kind of sharing relates to how these local leaders share the wealth with the rest of the bureaucracy and I think we tend to neglect the rest of the bureaucracy in China but bear in mind that there are about 20,000 public employees or civil servants in an average county in China and unlike Ji Jianye, they don't necessarily get to collect these big bribes because they don't have that level of power and so in one chapter of the book, I look at how the local governments would use the tax revenue earned by the local government to distribute supplementary pugs to their civil servants, over time allowances, bonuses, free vacations and so forth. And so even though the formal civil service pay is very low and it's standardized throughout the country, in practice you find extremely wide variants in actual pay basically tied to the ability of their local government and their local leaders to produce economic growth.

Nick Drake: Hi Bill, I think you might be muted.

William Hsiao: You can see I'm technology challenged, I don't even know how to unmute myself. Let me go to a question raised by the audience by Boggie Cha. Is the corruption under Xi Jinping more or less more different than under the previous regime?

Yuen Yuen Ang: I think the short answer is that first of all, we can say... Lest... Chinese officials are really... corruption, so they are reigning in their behavior to the point where they actually refuse to approve investment projects. So I think to that extent, we could say that it's less. But I think the more important point is that I think it's different and... it is being carried out I think in the coming years and in the future. It might actually shift from the current conventional sectors which is real estate and construction, to other sectors, for example technology and innovation where tremendous amount of government subsidies are being poured in and they have very little transparency and accountability. So I would say overall less to the extent that officials are terrified...

William Overholt: Bill, you're muted again.

William Hsiao: Thank you, that's a very interesting answer, and are you undertaking a new study? That will be my personal follow-up question but before you answer that though, let me go to another question by Jerome McKinney. He wants, because you mentioned India, he said how will you compare the corruption between China and India?

Yuen Yuen Ang: That is an excellent question and I'm always intrigued by the comparison between China and India and in my unbundled corruption index, which is an index that shows you the prevalence of the four different types of corruption that I've described, you can see a side by side comparison. India is usually perceived as equally corrupt so on the CPI score, they are side by side and in the total score side by side but their structures of corruption are different. So in India the most dominant type of corruption is speed money, so paying petty bribes to overcome bureaucratic delays and red tape, that is the most common type.

Yuen Yuen Ang: And in China the most common type is access money, paying for approval deals and I think one of the possible explanations for this divergence in their structure has to do with regime type. So in India because public officials, because it is a fragmented democracy, public officials derive their power from the ability to block decisions, not from the ability to open perhaps unilaterally. And so bribes are being paid in India primarily to get over the hurdles that the bureaucracy throws in the way of businesses whereas in China you actually see a very pro-business environment but where bribes are special deals from the leadership over and above what the government already offers to investors in general.

William Hsiao: Okay, so you were able to differentiate that, between China and India, the type of the corruption. Bill Overholt has a question for you.

William Overholt: In a way it's a follow up on the first question, let me start with a comment about China and India. In China officials have goals that they're supposed to meet if they want to get promoted or keep their jobs, and their corruption often supports achievement of those goals. In India there are no such goals, it's okay to be corrupt in ways that destroy growth and inhibit national growth. And I think that's a fundamental difference. In China, a lot of the growth has come from local officials being very innovative and as long as they achieve their goals, it's sort of okay if you break the rules or it was. And now they're afraid that if they break any rule they're vulnerable to the anti-corruption campaign, is this change enough to fundamentally change China's economic growth rate?

Yuen Yuen Ang: It's a good question and a question that many people ask. My first response is that when the outcome of concern is growth, we have... keep in mind that growth is being influenced by many factors and corruption and bureaucratic behavior is an important one but it's the only one among many. So I would be very careful about making sweeping statements like how corruption will affect growth, there are obviously bigger factors like the pandemic and the trade war. That said, the question of how would changes in bureaucratic behavior affect growth, I think that will depend in large part on Xi's own policies to an anti-corruption and to what bureaucrats. Crack down on crony capitalism in principle should be good for growth because if you create a more transparent and fair business environment, that in the long run should make it easier to do business in China.

Yuen Yuen Ang: But I think what his anti-corruption campaign has done as you pointed out, is that it has gone much further than that and has really terrified officials. He's also putting a lot of unrealistic expectations on them, more and more targets, a lot of these targets are in conflict with one another and Xi's ideal is that he wants Chinese bureaucrats who are pure and honors and yet daring and risk-taking. He actually gave a speech with all of these adjectives, all in one speech. And so I think that at this point, the central leadership hasn't actually made the hard decision, which is if you want to have strictly honest bureaucrats, then you're not going to have those risk-taking innovative qualities, in which case you need to transfer those qualities to the private sector and civil society so someone else takes over the entrepreneurial qualities. I think the problem right now is that Xi is clamping down on civil society and the private sector but he's also straight jacketing the bureaucracy. I think that doesn't bode well for the economic and business trajectory going down the path but again, I want to be cautious in saying that that's the only one among many other factors that will shape China's growth.

William Overholt: Thank you.

William Hsiao: Thank you, Elsa Eugeny asks a question which is different kind, is under what condition do you think the competitive provinces might opt for greater autonomy? Because they are competitive, they want more freedom to act.

Yuen Yuen Ang: That is a very good question and I think it has always been going on in fact, that the competitive provinces, trying to find ways to have more autonomy. And well I think a good example is Shenzhen. Shenzhen is known as the future of China, the technological hub and recently, I think last year when Xi visited Shenzhen it definitely gave the city a kind of special privilege to go even further in any kind of innovations that has already been doing in the realm of innovation. So the short answer is yes, competitive provinces have actually always been trying to lobby for ways for more autonomy.

William Hsiao: Okay, another question is from Xu Yingying. Will you share your thoughts about the most, root reasons for coexistent corruption and competency of the party leaders? The coexistence of corruption and competence, does that have anything to do with a lack of a sufficient check and balance in the, of the party officials and the political system?

Yuen Yuen Ang: Sure, so the coexist... not about the lack of checks and balances because if it's just about lack of checks and balances, then we should accept, we should expect to see a kleptocracy, a bureaucracy that does not perform at all since there are no checks and balances and no accountability and as I've tried to explain, the coexistence of corruption and competition has to come from the fact that, first of all China is a bureaucracy that is very performance oriented and this is a point that William pointed out. It goes from the top, the overall ideology of the party is focused on performance but at the same time, in order to perform as a Chinese official, you need to have resources and corruption and cronyism actually provides ambitious politicians with the necessary resources, so if you look at Bo Xilai and his henchmen, they do a lot of things for him. They carry out his pet projects, they donate to public works when necessary and they provide networks of support, so there are a group of people that he can rely on. They also provide of course his luxurious lifestyle and pay for his family so it is actually this coexistence of the desire to perform, the pressure to perform and the resources needed to perform and that is why you see actually the coexistence of corruption and competence in China which appears paradoxical but it's actually built into the Chinese political economy.

William Hsiao: But different question which I think is interesting, when we think about the cause of corruption and you have highlighted some of the incentive structures under the corruption which produce certain meritocracy or outcomes. Will you change to deal with anti-corruption measures, we introduce some remedies to reduce the corruption but maintain them with outcome.

Yuen Yuen Ang: In other words, if I got to do anti-corruption, how would I do it, is that kind of the question? Well I don't think I have the privilege of designing the anti-corruption campaign but let me try to take a step, the book is called *China's Gilded Age* because it makes a parallel, an indirect comparison with America's gilded age and so if you look at the two societies, one today

and another in the 19th century, they have very similar problems, which is very rampant serious corruption, crony capitalism and inequality, and so we can actually take lessons about anti-corruption from the American gilded age, so America's gilded age progressed into the so-called progressive era through bottom-up mechanisms. So there were sweeping democratic reforms, electoral reforms, more political liberalization, you had Mont raking journalists, independent prosecutors, so those were the means, the bottom up means that America used to deal with the excesses of capitalism in the 19th century and I think that today, the Chinese leadership should take some useful lessons from that American history because they have chosen a different path, they have chosen an entirely top-down path which actually suppresses civil society, investigative journalism, public transparency and opted to use the strong arm of the state, so they're arresting as many corrupt officials as they can find.

Yuen Yuen Ang: And I think that this approach has several problems which is discussed early on with Bill, which is that it terrifies bureaucrats, they are afraid to be risk-taking and innovative but at the same time, you do not have a free society that's over the entrepreneurial and innovative role that they used to play and there are also limits to the number of corrupt officials' arrest. It's not an institutional solution, it's just nothing as many bad people as possible but it's not actually attacking the root causes of corruption and the root causes of corruption is, one of them is that the government and the party still has so much control over the economy, and so long as they have that control there will be capitalists who will find some way or another to buy the privileges and deals.

William Hsiao: Hmm, interesting answer. Another question about the future, if China's future, this by Chris Neilson, if China's future corruption is shifting from real estate and construction to technology innovation, how would that impede progress in the protection of intellectual property rights in China and ultimately globally?

Yuen Yuen Ang: That is a good question, I wanted to stress that that part about the migration of corruption is still only a speculation in my book so it only appears at the end and I'm working on new research projects that look at the possibility for rents and corruption in areas related to technology right now, so I don't have the full findings yet but I don't think that the implication is about IPR protection. Where there are rents and corruption, the implication is about the efficacy of the state led drive for innovation in China. So for example, you have billions of dollars of subsidies and grants that are being poured into the economy and then the question is, to what extent is this investment useful? Is it actually yielding innovation or is it being wasted and creating a black box for rents and corruption? I would ask the question this way and this is what I'm exploring at this point.

William Hsiao: Okay, we'll wait for your new research. This is a question asked by Jeff Schwartz, would you consider price gouging and pursuits of the market control symptoms of corruption in China and how much are these practices present today? Price gouging, market control.

Yuen Yuen Ang: Yes, those are absolutely some of the most prominent types of access money corruption in China, there are a few sectors where access money is most prevalent because of the nature of that business. So real estate and construction is an obvious one because the government

has control over land and if it can change the designation of the land immediately, you get lots of rents. The other one would be services sectors where you need government approvals to access the market. So pharmaceuticals is a good example, not everyone can go out and sell pharmaceutical and drugs in China, so that would be another sector where we do often see corruption scandals relating to a regulator providing favors and deals and approving certain drugs but not others. A third one is about mining, anything related to the extraction of natural resources and so on, which is again very dependent on government regulations and approvals, that's a third area where I see a lot of scandals, those are the hot spots of access money in China.

William Hsiao: We're living in the age of diversity and equality so I'm going to throw out this question at you from someone anonymous, how do gender dimensions in corruptive practice, in your research, do you find any difference in genders?

Yuen Yuen Ang: That's a very interesting question, unfortunately I don't specifically examine that in a book but I think it's a good question because it really definitely comes up. Anyone who visits China and has an opportunity to study the government, the first thing you notice is that it's definitely a highly male dominated environment, so that is a fact that needs to be acknowledged. The second thing is that women have always played a prominent role in all of these corruption scandals mostly as mistresses, so it's always Lai Xiaomin is famous for his hundred mistresses or mistresses exposing their patrons after they're ditched and so forth. So, that, you can see those elements where women plays these psychic role in a negative way. So those are the dimensions that I see but I did not systematically explore that in the book.

William Hsiao: Here, interesting question by Nikki Winkler, how does the population feel about the corruption? When I lived in China, he said or she said, my students were curious about it so how do you really balance a public opinion against corruption versus any meritocracy may result from it?

Yuen Yuen Ang: Mm hmm, it's a very good question, in my research I did not do public opinion surveys about corruption but I could direct you to Bruce Dixon who has done a number of these surveys and I think his general finding is that number one, Chinese people have a lot of complaints about politics and governance but in general, they actually have high trust in the government. And number two, I think most Chinese people are quite happy with the anti-corruption campaign so they see that as progress being made. Then I think the more nuance and complex story about public perception is that regardless of whether we know exactly what the public thinks, I think the CCP leaders themselves are keenly aware that their legitimacy is at stake and that is why for Xi, of all the agendas that he could pick out, you have to kind of try to imagine that a Chinese leader must have 100 things in front of him, so all of the things that he could pick out, he picked out corruption as the thing that he wanted to highlight at his first speech of the politburo and he has made that his signature policy.

Yuen Yuen Ang: So he's picked the first, anti-corruption is the obvious one and the other thing that he picked is poverty alleviation, so whenever you think about Xi Jinping, you immediately think about these two signature policies, and so I think why that is actually highly logical because he inherited a Chinese gilded age and a Chinese gilded age has problems different from thumb. It's not a poor country but it is a corrupt and unequal crony capitalist system and that is

particularly damaging for a party that claims to be communist and so I think for those logical reasons, of all the things that he could focus on he has really made anti-corruption and poverty alleviation his two signature policies.

William Hsiao: Well there's a follow-up question by someone anonymous, that since Bo Xilai enjoyed such a popular support from what he has done partly it comes to corruption, how do you think Xi deals with that? In other words, Xi is trying to gain some popular support to the same vehicle, I think that's the nature of the question and a related question is how do you see China move in the next five years in the corruption and also the meritocracy or in performance I would say, yes?

Yuen Yuen Ang: Good questions, the first question, how Xi deals with Bo. I think the party dealt with Bo in two simultaneous ways, first of all they were concerned about his lingering popularity in Chongqing, so at least in about 2013 and 14 there were definitely deliberate efforts to stop talking about Bo and try to diminish his popularity. But on the other hand, I think the party leaders also looked at Bo's record and thought that maybe there are some things that we might take from that and so that is why as I alluded to in the presentation, if you look at the five key features of Bo's leadership and governance, you find parallels in Xi's governance today He is very populist here, he claims himself to be a champion of the poor, he prefers a statist approach and he has revived Maoism, so there are definitely a similar parallels and I think one of the ways to explain that is that both Bo and Xi, despite being political rivals saw the same political opportunity for themselves which is that given current circumstances, given the popular anger about the problems of a gilded age, now this particular package, this particular platform is the most popular and the best fit for the times, so I think that's why we see certain continuities despite the party's very clear denunciation of Bo.

Yuen Yuen Ang: And on the second question about the future and the next five years and there's always a joke that it's very hard to make predictions especially when it's about the future and so I won't hazard to make specific predictions. But I think what we can do as scholars is to point out certain enduring shifts and enduring trends and I think if you look at this presentation about corruption and competence, one of the enduring challenge that the party will face in the next five to 10 years is that they really need a different system of governance for a new phase of what they call the development. So they no longer just want brute economic growth that produces pollution, capital misallocation and speculating, they want high quality, innovative growth and to do that you have to change the whole bureaucracy, you have to change their targets, you have to change the incentives, you have to balance it out with the amount of social and political freedoms and I think that is the big challenge facing the party right now, how do they actually tweak the governing system so that it will be aligned with this new face and new goals of economic development?

William Hsiao: Well there are two questions to relate to about the future but they are more specific, one is by Eve Tingheren, does the anti-corruption campaign under Xi signal the end of the local, provincial entrepreneurship model analyzed by Jean Oi, a long aging of growth in reform period that turns CCP cash their cadres into pro-form entrepreneurs, that's also part of your main point. The related question is, what decisive practice of the central government keeps

the province in check apart from anti-corruption campaign against the governors and the leadership team?

Yuen Yuen Ang: Good questions, the first one is specifically about the entrepreneurship of the bureaucracy that Professor Oi has written about in the 1990s, local state corporatism and I think it actually ties back to Bill's questions as well about the tradeoff between risk taking and innovation and anti-corruption so on this question, I am actually able to answer with some results from an empirical analysis that appears in the book in the chapter on anti-corruption and in the other chapter, I looked at what are the factors that predicts which city leader in China would be investigated for corruption? Is it because of their performance or because of their patronage or something else? And the finding is pretty clear, the single factor that predicts whether an official would be investigated is actually not about performance, it was entirely about patronage ties, whether the higher level patron who protects them, whether that patron himself fell or survived and so I think what that tells us, the finding itself tells us is that under Xi, although he has tried to remove corruption, the bureaucracy has actually become more driven by patronage than by performance so if you want to survive as a Chinese leader under the current circumstances, the most important thing is to have the right patron and to make sure that your patron survives and it actually is not about your performance economically or otherwise, so I think at least in that time period we do see a qualitative shift in the nature of the Chinese bureaucracy.

Yuen Yuen Ang: How does the party keep government officials in check apart from anti-corruption? There are other monitoring mechanisms that have routinely been carried out, for example, the party has traditionally relied on citizen complaints and petitions and in the now online age, a lot of the input online, the internet opinion can be collected as part of the party's materials for monitoring corruption and other problems. I would also distinguish between the parties desire to control lower level officials with a particular political patrons desire to control his clients, so these two things are intersecting at the same time, so the party is filled with several different top leaders and they have their own clientele below them so on the one hand, there is this party acting in a coherent way to control corruption, at the same time you have individual patrons who want to cultivate and maintain their clients and protect them during what is a sweeping anti-corruption campaign.

William Hsiao: Okay, explain some of the tension in China today, there are a couple of questions all asked to you, one is can you compare the corruptive practice in Taiwan and in China? The other one is going deeper into China, what are the corruptive practices in the People's Liberation Army, does your type of corruption exist there too in that world?

Yuen Yuen Ang: Good questions, let me start with the PLA, so the PLA was known to be very corrupt in the 1980s and 1990s because China had opened up and the military was severely underfunded so as a compromise, the party allowed the military to go into business, which of course you can imagine is very problematic, when you have people with guns who are simultaneously doing business. So in 1998, Zhu Rongji came on board and he very resolutely cracked down on these practices so I don't study the PLA per se, so I think it's fair to say that the practices, the kind of profiteering practices of the past are probably in much better control today and when we do see scandals revolving, surrounding PLA officials, I think it's a lot more along the lines of individual behavior, the kind of massive bribery that I had described and I think

particularly in the case, in some very sensitive cases, I forgot the name of that particular general who fell, sorry but he fell along with Zhou Yongkang so meaning to say that in addition to corruption, the scandals around PLA also tend to be tied up with power struggles at the highest level for obvious reasons and then the interesting question about comparing Taiwan and China, I think it depends on what time period of Taiwan that you're talking about because Taiwan itself has undergone a tremendous evolution from the time it began growing until now but I would point you to one very interesting essay by Professor Andrew Walder where he compares the CCP today with the Guomindang, and he says that his argument is that Xi is very worried that the CCP in the gilded age would fall under the troubles of the KMT, which was at the time captured by the... families, by super rents, he calls it. So I think that that is a useful and interesting parallel, we do not know if Xi is trying to learn from the former Soviet Union or from the KMT, he's probably just trying to take lessons from wherever is relevant but I do think the KMT parallel is something we should keep in mind.

William Hsiao: Thank you, I'm going to take the prerogative as the moderator to ask you the last question you, you've fared so well with so many different questions. I would like to go back to your book of 2016 about China's escape the poverty trap, one of the major themes in that book is China was able to escape the poverty trap because the party leaders found every level has a goal and they have to achieve that goal through different means, including corruption, that is economic growth and that that is a measurable goal and also a very clear goal and now China is underemployed era, China has multiple goals. Economic growth is one, employment is another, environment, climate change is another, aging, social protection and so forth. Under this new circumstance, how would Chinese bureaucracy perform when the goals are multiple and also some of them are really not measurable?

Yuen Yuen Ang: Thank you Bill for your final and truly brilliant question, so spot on, I think it's really one of the most fascinating and biggest challenges for Chinese governance today and something that we didn't see in the reform era for reasons that you pointed out because the context was different and the priorities were different and I also find your question timely because as we know, the CCP will be holding the two sessions this week which is a very, very important meeting and I think we can expect to see that at this year's two sessions, the party might either abandon or dilute GDP targets and everyone will be talking about GDP targets. Every single year that's like the highlight of the party, everyone wants to see the GDP targets. And I think what your question brings out very wisely is that we actually have to recognize that China has entered a new stage of development and governance, where it's not just trying to get more GDP, it wants to get quality development and that means all of these other goals that you have listed like healthcare, social welfare, environment and all of these things, so I think there are two things that I would point out from my first book, the first challenge facing the party is targets overload as you described, there are just so many targets.

Yuen Yuen Ang: In the past under Deng, all you had to do was if you do GDP that's good but today Chinese leaders have to deliver so many things and you can actually see that under Bo Xilai as well, in addition to economic growth, in order to really shine out he also promised nearly everything, like five Chongqing's and so forth and now it's more than five, now it's probably 50. The other problem as you also pointed out is that matter to the party in the future or now are impossible to quantify, so take innovation, so this is part of my new collection of projects on

innovation and technology, which in addition to the implications for corruption is one of the things I'm really curious about, is how does the party actually promote high quality innovation? And it turns out that the party is really frustrated by this because it can set targets, for example it has set targets for patents and so once it does that, everyone starts gaining the system to create low quality patents because they're just trying to meet the targets and it actually undermines the long-term goal of the party to have high quality innovation. So I think this is, we are at a turning point in Chinese politics where it's very clear that the parties, they're still functioning political system that was good for the Deng era, the gilded age and now they're in a progressive era but they don't have the right governing tools yet and they're still trying to try different things out, what about anti-corruption? How about targets? And so I think that is the big challenge facing the party going forward.

William Hsiao: Thank you very much Yuen Yuen, you really demonstrated the depth and the breadth of your knowledge, you really gave us new insights about the political autonomy of China and particularly that governance structure and the incentives, how they interact and we're indebted to you and best wishes on your future research and we hope you will come back then share your new knowledge with us, thank you.

Yuen Yuen Ang: Thank you, it will be my great pleasure, thank you everyone, thank you for coming. Thank you.

William Hsiao: Bye.