

Local Governance in China

When the river runs black, the public demands the prefectural environmental protection bureau chief to swim in the river. The one who should go swim is the party secretary, not the environmental protection bureau chief.

EPB staff, Municipality C

How does governance happen in China? This chapter provides a brief overview of China's central-local governance system's structure and institutional features, with particular attention paid to environmental management. While most environmental institutions have remained consistent across four decades, national priorities have changed. The environment was largely sacrificed for economic growth before 2000, and the trend continued well into the 2000s. Under the 11th FYP (2006–10), the central government introduced binding targets for SO₂ and COD control for local leaders. After 2010, the central government ordered mandatory monitoring of PM_{2.5} pollution in four regional clusters. The first phase of the Clean Air Action Plan (2013–17) made PM_{2.5} pollution reduction targets binding in select cities. As a result, changed central priorities and rules altered the local incentive structure and regulatory patterns.

3.1 POLITICAL STRUCTURE AND ENVIRONMENTAL GOVERNANCE IN CHINA

At its core, China's governance system is hierarchical, with ultimate authority resting with the central government in Beijing. The administrative levels below the center, in descending order, are the province, the prefecture, and the county. China's government is also highly decentralized and complex. The post-Mao reforms have produced a "fragmented and disjointed . . . structurally based" policy-making process, where authority is devolved to an array of often self-interested bureaucracies (Lieberthal 2003, 8). As mentioned in Chapter 2, local governments in China are highly fiscally decentralized, with almost 70 percent of total government

expenditure coming from the localities themselves – higher than in many federal democracies (Landry 2008). As a whole, China’s authoritarian system relies on local governments taking responsibility for implementing broader national policies.

In China, plans and quotas are still an integral part of policy-making and implementation even after the post-Mao reform. Each local government level is charged with translating directives and policy goals from the immediately upper level for the lower level to fulfill. Target setting and fulfillment is a routinized process that is carried out on an annual basis to meet the goals outlined in the five-year plan (Zhou and Lian 2011).

In the environmental realm, policies are formulated by the State Council, spearheaded by the Ministry of Ecology and Environment (MEE), and implemented mainly by local EPBs that are supervised and funded by the local governments.¹⁸ As suggested in Figure 3.1, the prefectural EPB is under the jurisdiction of two principals: the prefectural government and the provincial EPB, who have different preferences regarding the intensity and timing of environmental

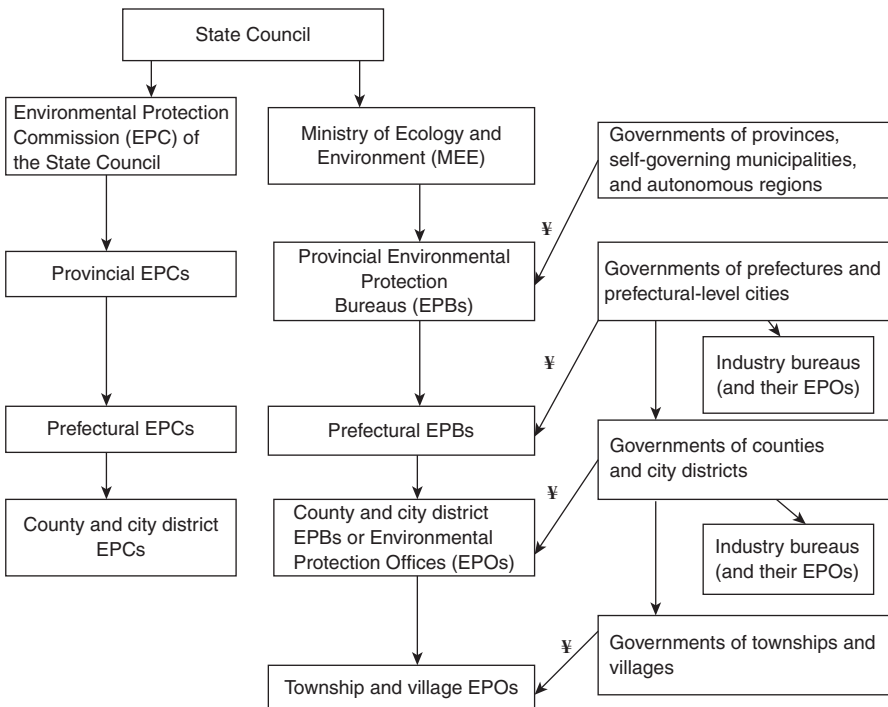


FIGURE 3.1 Structure of environmental governance in China (before verticalization reform under the 13th FYP)

¹⁸ The MEE was formerly called the State Environmental Protection Administration (SEPA) until 2008 and the Ministry of Environmental Protection (MEP) between 2008 and 2017.

regulation. Information asymmetry between the center and the local where the local has the upper hand, exacerbated by the lack of power and the absence of an independent and omnipresent supervisory body, allows local actors to deviate from the policies formulated and envisioned by the center.

Specifically, the MEE is empowered and required by law to implement environmental policies and enforce environmental laws and regulations. The MEE monitors provincial EPBs, who oversee policy implementation carried out by prefectural EPBs. The government uses a vertical supervisory system, where one level manages the level immediately below it, all the way down to the township level. The EPBs at each level are under the dual jurisdiction of the level directly above them (an instance of *tiao*, a vertical structure of governance) and the local government of the same administrative level (an instance of *kuai*, a horizontal structure of governance). For instance, the prefectural EPB reports to both the provincial EPB and the prefectural government. The provincial EPB, however, has no power over the prefectural government because the two are not situated in the same vertical or hierarchical system (Lieberthal and Oksenberg 1988; Lieberthal 2003; Mertha 2005). This one-agent-two-principals scenario continued well into the period under the 13th FYP (2016–20) before the implementation of the verticalization of environmental management (Chapter 7). It often predisposes the prefectural EPB to behave more in line with the prefectural government's interests – which decides how subsidies are distributed down to lower levels within the prefecture – than with the interests of the MEE or provincial EPB in promoting environmental protection.

Local EPBs remain subordinate to local governments both administratively and financially (Jahiel 1997; Sinkule and Ortolano 1995; Economy 2004; van Rooij 2003). For a prefectural EPB, local government funds are one of three significant sources of funding (Interview 0715CD04). Furthermore, being strapped for funds unintentionally breeds the perverse incentive for the local EPB to allow pollution. While intended to be an economic lever for reducing pollution discharge, pollution levies are at least partially used to financially support local EPBs – a practice the EPBs I interviewed referred to as “consuming pollution levies” (吃排污费) – and to provide subsidies for waste control projects (Sinkule and Ortolano 1995, 32–33; Interviews 0714CD01 and 0715CD04). Fees and fines have been a vital source of revenue for some EPBs (van Rooij 2003). The need to raise funding has prompted local EPBs to turn a blind eye to some high-polluting factories that can contribute to their revenues, either directly through fees, or indirectly through the local government's budget. The local EPB often becomes a silent partner of the local government.

3.2 PARTY SECRETARIES, WE GET THE JOB DONE!

Different levels of local government are in charge of various tasks. For this book, I choose to focus on top political leaders at the prefectural level for two interrelated reasons. First, prefectural leaders are in charge of almost all vital production

elements, from subsidies to labor policy; in other words, they define the structure and size of local economies (Interviews 0715NJ01, 0815NJ03, 0616NB01, 0717BJ04). Second, prefectural leaders wield de facto authority over local pollution control (Zhou and Lian 2012; Ma and Ortolano 2000). For a given prefecture, the governor (or mayor) is in charge of setting and handing down annual pollution reduction targets and plans to county-level authorities (Interviews 0815NJ02 and 0815NJ03). While the provincial level is in charge of overall emissions control, the prefectural level is the main body responsible for environmental protection (Ma and Ortolano 2000; Qi et al. 2008). Within the prefecture, the party secretary has higher status and more de facto power in decision-making than the governor (mayor). This explains why a municipal EPB staff quoted at the opening of the chapter would place blame on the party secretary for environmental woes. Hence, I center my analysis on top prefectural-level party secretaries.¹⁹

3.3 NOMENKLATURA AND ITS EFFECT ON IMPLEMENTATION

3.3.1 *The Nomenklatura Political Personnel Management System*

The *nomenklatura* political personnel management system complements the hierarchical governance structure. The *nomenklatura* is the main instrument the Chinese Communist Party uses to appoint, promote, transfer, or remove officials. In this system, each level selects the immediately lower level of officials. According to The Regulations of the Selection and Appointment of Party and Government Leading Cadres (党政领导干部选拔任用工作条例), career mobility hinges critically upon the evaluation of five aspects: integrity (*de*), competence (*neng*), diligence (*qin*), achievement (*ji*), and honesty (*lian*) (General Office of the CCP 2002), which was echoed in some of my field interviews (Interviews 0714CD02 and 0217ST01). Prior to 2010, of the five criteria, competence and achievement were evaluated based chiefly on economic development. Air pollution control, specifically SO₂ emissions reduction, became binding in cadre evaluation under the 11th FYP (2006–10). However, environmental protection and the deployment of green energy did not gain substantial traction until after 2010, and particularly after the 18th Party Congress in 2012.

Unlike in most consolidated democracies, tenure length in China is not limited by officially stipulated fixed terms or term limits. While official regulations state that prefectural leaders' tenure length should be five years, these are not strictly adhered to in practice. Even the 2002 Regulations of the Selection and Appointment of Party and Government Leading Cadres requiring all local leaders to stay in their post for at least two years is not always followed. Table 3.1 shows the distribution of time in office, or tenure length, by turnover outcome for prefectural party secretaries who served

¹⁹ See Zhou and Lian (2012) for details on how the prefecture delegates to the county.

TABLE 3.1 *Tenure length and political mobility of prefectural party secretaries, 2000–10*

Tenure length	Promotion	Lateral transfer	Demotion	Total n
1 year	47.2	47.2	5.7	53
2 years	52.7	42.0	5.4	112
3 years	51.5	44.4	4.1	171
4 years	49.1	47.9	3.1	163
5 years	65.7	34.3	0.0	137
6 years	57.3	42.7	0.0	75
7 years	50.0	45.2	4.8	42
8 years	50.0	37.5	12.5	16
9 years	77.8	22.2	0.0	9
10 years	50.0	50.0	0.0	2
11 years	100.0	0.0	0.0	1
Total N	423	333	25	781

Sources: Prefectural Yearbooks; www.people.com.cn; www.xinhuanet.com.

Note: Due to rounding, the percentage total is occasionally slightly more or less than 100 percent.

between 2000 and 2010. For instance, 163 of the 781 prefectural party secretaries in the sample were in office for four years, and 49.1 percent of these party secretaries were promoted at the end of their tenures. The coding procedures are documented in Appendix A. As we can see, tenure length could last anywhere between one and eleven years. The mean and median tenure lengths are both four years. The mode is three years. In light of this, I use “tenure” and “tenure length” instead of “term,” “term limit,” or “term length,” because “term” denotes a fixed length, whereas “tenure” does not.

What determines tenure length? Is it endogenous to performance or political connection? That is, can performance or political connection influence tenure length? Based on the methods and results in Appendix A, I find that tenure length is unrelated with either performance or connection.²⁰

Of particular note, in addition to being variable in length, tenures are staggered across Chinese prefectural cities, so the temporal proximity to rotation is plausibly exogenous. Different prefectures generally do not share the same rotation times. Furthermore, the start and end times of prefectural political tenures are usually independent of national-level political rotations, meaning that the impact of

²⁰ However, being female can, on average, be correlated with one less year of tenure and that having attended the Central Party School in Beijing is correlated with about half a year less of tenure, *ceteris paribus*. The other variables are either insignificant or not consistently significant to explain the variation in tenure length.

prefectural political tenures on pollution patterns can be isolated. To control for unobserved heterogeneity across different years, I will include year fixed effects in the analyses.

3.3.2 *The Logic behind a Strategic Implementation*

A proposition of this book is that career incentives are tied to cadre evaluation by upper levels in authoritarian contexts or constituency interests in democratic settings. In an authoritarian country like China, cadre evaluation is primarily based on performance vis-à-vis the fulfillment of policy targets set by upper levels. Excellent performance, though a very critical component in promotion decisions, does not translate directly into promotion. Cadre promotion differs from cadre evaluation in that cadre promotion is, in addition to performance, dependent on factors such as political connections and faction politics (Nathan 1973; Teiwes 1984; Shih 2008; Shih, Adolph, and Liu 2012), loyalty to superiors (Li and Walder 2001), and even personality (Interview 0715CD05).²¹

Nevertheless, a solely career-concerned local leader would implement the policies that maximize their utility (i.e., for career prospects, reputation, positive evaluations); just like in a multitask model underpinned by career concerns, a rational agent – eager to signal their high talent – ends up concentrating on the set of tasks the market expects them to focus on (Dewatripont, Jewitt, and Tirole 1999, 201). A decisive element to the local Chinese leader's maximization of their utility is the fulfillment of critical policy targets, especially those related to social stability and the economy. Local leaders “sprint through the ranks in a series of small, rapid steps,” regularly moving to the next position before the end of the officially designated but rarely followed five-year term to preempt exiting the promotion game due to age limitations (Kou and Tsai 2014). This statement is consistent with what I learned from field interviews: local leaders were said to start planning early and put forward sustained, strong economic performance (Interviews 0715CD03, 0715CD04, 0815NJ03, 1017NJ07).²² Career incentives influence the scale and promotion of certain activities, such as production in the construction and

²¹ Cadre promotion hitherto remains an under-institutionalized process. Lateral transfers, retirements, demotions, and persecutions are usually beyond the control of prefectural leaders (Interview 0715CD03). Extant approaches and methodologies to parameterize and measure determinants for promotion, especially connection or connectedness, have proven extremely difficult and have been criticized for various reasons (Interview 0517ST03). Despite the challenge of measuring connections appropriately, it is probably reasonable to at least state that the possibility of delayed promotion is alive and well. For these reasons, I do not attempt to measure the effects of performance on promotion. Future researchers may be able to tackle these challenges with sufficient data on all facets of performance and with more reasonable ways of quantifying career success, especially when it is not rewarded with immediate promotion.

²² Leaders regularly know about their coming up for rotation relatively late in the tenure, usually six to twelve months before the end of their tenure (Interviews 0715CD04, 0217ST01, 0317ST02, 0517ST03). They might have inklings about their coming up for promotion consideration before being officially

industrial sectors and the regulation of pollution emissions, during these political leaders' tenures.

Achieving economic growth may not be the only goal of a local leader. Some leaders know about their next posts from the start of their current positions. The utility of staying in their current jobs is derived from gaining more exposure to and experience in different socioeconomic settings. Whether or not such leaders behave strategically does not matter for their promotion outcomes. Some leaders might legitimately want to make life better for fellow citizens. Others may be uninterested in promotion and simply want to avoid getting demoted. Given that a number of them do not act strategically, if the results still show a statistically significant pattern of strategic implementation, this will therefore be an underestimate of the extent of strategic implementation among those motivated to signal competence.

3.4 FORGING A POLITICAL REGULATION WAVE

I argue that the *nomenklatura* system in China provides incentives for local political leaders to plan strategically and direct the bureaucracy accordingly for their desired implementation so that the delivery of political achievements enhances their career prospects (but at the same time incurs unintentional human costs and welfare losses). These dynamics foster political regulation waves. In the following subsections, I expand on four fundamental points regarding local governance.

3.4.1 Promotion, Irresistible

Reelection is often cast as the dream of every politician in electoral theories. Winning and keeping office may involve achieving fame and being in the spotlight, or fulfilling a noble calling by serving the public or a region one holds dear, or getting well-positioned for a better post afterward, or a combination of these.

In China's context, the lure of political promotion is even more irresistible because wealth and power are often concentrated in the same hands. Leaders typically want to get promoted because there will be more money, more power, higher social status, more preferential treatment in life, better cars, more beautiful houses, and all the other desirable things in life. Local leaders do not hide their aspirations and obsession with political promotion. Some of them have become prolific authors and novelists, writing about their observations of and insights into the promotion game.

notified, but putting up consistent improvements in performance is expected and is thus a dominant strategy.

3.4.2 *Different Eras, Different Priorities: From the Economy and Stability to the Environment*

Economic development, social stability, and environmental protection became top priorities during different periods. Economic growth and social stability were top priorities before 2010; as mentioned above, environmental protection became more important after 2010, especially after the 18th Party Congress in 2012.

The extant literature posits that economic growth and social stability were the *sine qua non* for career advancement before 2010. The maintenance of stability has been a top priority since the early 1990s as a policy response to the Tiananmen incident and the collapse of Communist systems in Eastern Europe (Wang and Minzner 2015). The Chinese Communist Party Central Committee's initiative of "comprehensive management of public security" made the maintenance of social stability a "priority target with veto power" (一票否决) in the early 1990s, meaning that failure to maintain stability (维稳) could offset a cadre's positive performance in other realms.

Economic development and associated policy goals (Table 3.2), such as fiscal revenue growth, are also perceived by local officials to be of paramount importance.²³ Besides its importance as a basis for performance legitimacy (Zhao 2009; Zhu 2011), economic growth is usually prioritized over all other goals except social stability. It is arguably the least difficult to assess of all goals. The lower-level government, while responsive to the concerns at the immediately higher level, assigns different weights to policy targets in various realms. This is based on its understanding of the degree to which the higher-level leaders can assess its performance using both submitted (official reports and yearbooks) and independent information. As for independent data, WikiLeaks reported that the upper level gauges the economic performance of the lower level by referring not to reported GDP figures but to statistics of electricity consumption, the volume of rail cargos, and the number of loans disbursed (Wallace 2014).

In contrast, air quality is significantly more ambiguous to assess. Although regional monitors send measurements directly to the central government, they remain very limited in number and only take measures at their point locations (Interview 0715BJ03). Due to various ambiguities involved in measuring air quality, there are many ways that localities can fiddle with pollutant concentration readings, as detailed in Chapter 1.

However, *this is the first study to illuminate the fact that local political leaders are expected to promote annual growth rates steadily and incrementally during their tenure*

²³ Administrative behavior theories have argued that agents choose to overcomply in areas deemed more critical to the principal (Simon 1947). As we can see, GDP growth, fiscal revenue growth, and fixed asset investment (related to infrastructure projects) are the most important policy goals. By contrast, energy consumption per unit of GDP is deemed relatively unimportant. Other target areas include urbanization, growth rate of foreign direct investment, forest coverage, and percentage of population increase.

TABLE 3.2 Policy targets for different policy areas at the national level, and at the provincial and prefectural levels in Hubei Province in 2006

	GDP growth (%)	Fiscal revenue growth (%)	Fixed asset investment growth (%)	Energy consumption per GDP	Unemployment rate (%)	Per capita urban income growth rate (%)	Per capita rural income growth rate (%)
National	7.5	–	–	–20	5	5	5
Hubei	10	12	15	–20	4.5	8	6
Wuhan	12	12.25	18.5	–20	5	10	8–10
Huangshi	11	15	17	–20	4.5	8.5	6
Shiyan	10	10	16	–20	5	7	5
Xiangfan	11	10–12	16	–20	5	8	6
Yichang	11	12	18	–20	4.5	8	6
Jingzhou	10	9	18	–20	4.5	8	6
Ezhou	12	15	18	–20	4.5	8	6.5
Jingmen	10	11.5	11	–20	4.5	8	6
Xiaogan	10	11	12	–20	4.5	8	6
Huanggang	10	12	15	–20	4.5	8	6
Xianning	10	12	16	–20	4.5	8	6
Suizhou	11	12	15	–20	4.5	8	6

Source: Adapted from Table 2–3 in Mei (2009).

(Interviews 0715CD03, 0715CD04, 0815NJ03, 1017NJ07).²⁴ In other words, an aspiring local leader should generate higher and higher growth rates year after year. If there is a dip in (reported) economic performance without the impact of an exogenous shock (e.g., global financial crisis, global pandemic) in the year before the leader is up for promotion consideration, that weakens their profile (Interview 1017NJ07).

Furthermore, a new insight derived from field interviews is that performance in later years is more critical for two reasons (Interviews 0715CD03, 0815NJ03, 0217ST01, 0317ST02, 0517ST03, 1017NJ07). First, the first year's performance figures are influenced by the predecessor's actions near the time of leadership turnover, so performance in later years is more reflective of the incumbent's ability to grow the economy. Second, leaders who can scale up the local economy are more in control of it, which sends a positive signal about their capability to their political superiors and bodes well for their political careers (Interviews 0217ST01, 0317ST02, 1017NJ07). From these field interviews, I learned that there are two vital statistics related to the

²⁴ Growth rates are more appropriate than absolute economic performance because performance targets come in growth rates rather than absolute growth and because growth rates circumvent the problem of endogenous appointments (i.e., better-connected officials are appointed to more economically developed regions, where growth happens more easily) better (Landry, Lü, and Duan 2018).

performance of the final year that signal competency. (By final year, I mean the final year for which performance will be included for promotion consideration.)²⁵ The first vital statistic is the difference in performance between the first and the final years in office. The second vital statistic is the difference in performance between the final two years. The consequence of these facts is that it is strategic to underperform early on and overperform later on because lower growth rates in the early years make it easier to generate more impressive growth rates later on.

Based on official documents and field interviews, I learned that the evaluation system in China values “gradual” (逐渐) and “steady” (稳健) improvement in crucial policy areas (Interviews 0715CD03, 0715CD04, 0815NJ03, 1017NJ07). This characteristic of the “desired” policy implementation pattern has rarely been mentioned in the literature but appears crucial.

The trends of economic targets demonstrate these planned strategies (Figure 3.2). Gleaning annual target information from the government websites of Prefecture L and Province G (L is part of G), which were among the very few localities that released such information and were the most comprehensive in showing information dated before 2008, I plot the time trends for both GDP and industrial growth targets in Figure 3.2.²⁶ As we can observe, in 2003, the first year of the prefectural party secretary’s tenure, Prefecture L had the same target as Province G but increasingly higher ones in the years following. A similar trend is observed for secondary industrial growth targets. In 2003 (the first year of the prefectural party secretary’s time in office), the prefectural goal remained at 11 percent even though Province G raised its target to 11.8 percent, 0.8 percent higher than the previous year. However, in later years, the secondary industry growth targets in Prefecture L surpassed and grew faster than those of Province G. Most notably, in the final year of the prefectural party secretary’s tenure, 2007, while the secondary industry growth target dropped to an all-time low of 10.4 percent for Province G, Prefecture L raised the target to an all-time high of 18.5 percent!²⁷

²⁵ For instance, if the leader leaves office in year T , their final recorded performance (i.e., final year’s performance) will be that in year $T-1$.

²⁶ This plot may look simple with some missing data points, but the information contained was the most difficult to acquire for the entire project. After many failed attempts at obtaining such information from local officials, who did not want to get themselves into trouble (and that was understandable), I learned that my last resort would be the Internet. The Open Government Initiative was not implemented until 2008, and localities are under no obligation to publish their policy documents, including policy targets, before 2008. It took much persistent effort to search prefecture after prefecture and province after province to find the prefecture and its corresponding province with the most relatively complete statistics.

²⁷ It makes sense for a prefecture to have the highest target vis-à-vis that of the province in the final year to signal sustained intent to do better year after year. In the case of Prefecture L, the most substantial discrepancy is observed in 2007, the final year of the prefectural party secretary’s year in office when the prefectural GDP growth target reached an all-time high of 16 percent while the provincial goal stayed at 10 percent.

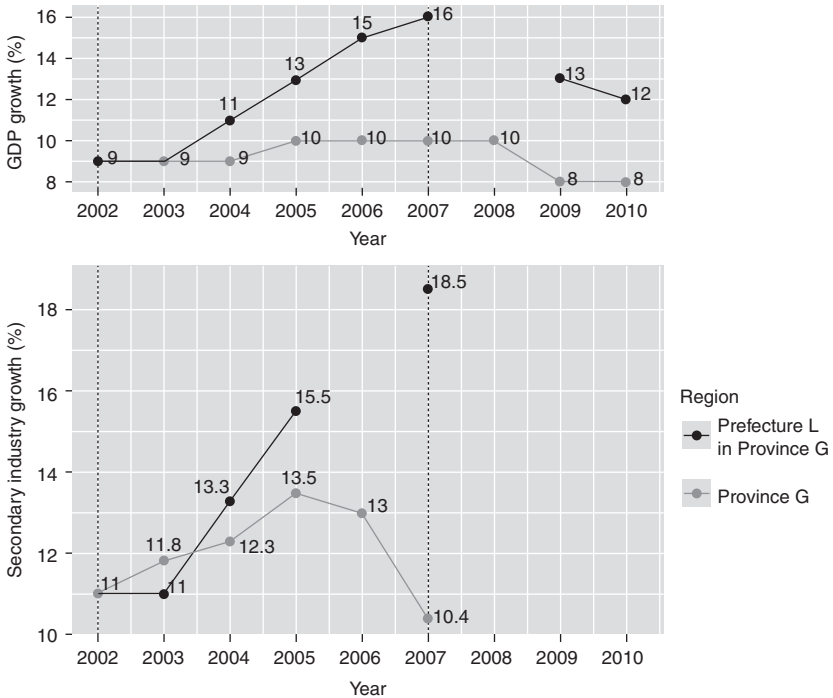


FIGURE 3.2 Annual targets for GDP growth (%) and growth of the secondary industry (%) for Prefecture L and Province G, 2002–10. Dotted lines indicate the last year of tenure for prefectural party secretaries. No data points suggest that data are unavailable (the entire document is unavailable, or that particular statistic is not stated in the document) for those years. Prefectural and provincial government websites.

In the post-2010 era, ecology and environmental protection emerged as a top priority – but what made the central government finally start paying attention to cleaning up the air? To put it simply, it took a scandal. In 2008, the US Embassy in Beijing installed a rooftop air quality monitor that automatically tweeted hourly air quality, intending to inform US citizens of the severity of pollution (Roberts 2015). In 2010, the monitor measured Beijing’s air quality as exceeding the highest bound of the US EPA’s AQI. The Chinese government’s own assessment, which measured only larger particles (PM₁₀), suggested “slightly polluted” air. Officials in Beijing responded by arguing that a side-by-side comparison would not be valid because the two measured particles of different sizes. However, the embassy’s rooftop monitor often recorded worse air quality than the official Chinese reports. The discrepancies attracted a growing audience inside China who obtained monitor information via third parties. Beijing residents, who believed the embassy data, put pressure on the

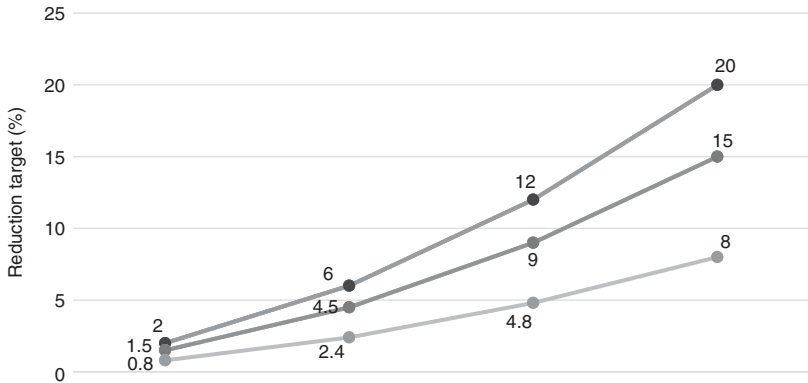
central government to acknowledge the gravity of the air pollution problem and start taking action to tackle it.

The 18th Party Congress affirmed the “construction of ecological civilization” (生态文明建设) as a prime goal of the party and incorporated it into the party constitution. In September 2013, the State Council circulated Clean Air Action Plan, which for the first time specified concrete targets for PM concentration reduction by 2017, using the PM levels in 2012 as the baseline (State Council 2013a). According to Article 27 of the document, reduction in PM would, from that time forward, be a binding target in the target responsibility evaluation scheme. The Decision of the Central Committee of the CCP on Some Major Issues Concerning Comprehensively Deepening the Reform (中共中央关于全面深化改革若干重大问题的决定), promulgated at the 3rd plenary session of the 18th Party Congress in November 2013, spells out legal sanctions against polluters, the initiation of the “lifelong responsibility system” for officials who carry poor records of environmental protection, and the auditing of natural resource conservation when senior cadres leave their posts (Central Committee of the CCP 2013). The document also details measures to improve environmental monitoring and data collection. At the NPC in March 2014, Premier Li Keqiang declared a “war on air pollution.” The Ministry of Finance offered RMB 13 billion to control air pollution in heavily polluted regions of Jing-Jin-Ji, the Yangtze River delta, and the Pearl River delta in 2013 and 2014 alone (People’s Daily 2013; Ministry of Finance 2014).

Under the high-profile policy directive, the Clean Air Action Plan, four regional clusters received binding targets to reduce PM_{2.5}. The clusters were Jing-Jin-Ji and surrounding (i.e., Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Shandong), the Yangtze River delta (i.e., Shanghai, Jiangsu, Zhejiang), the Pearl River delta (i.e., some prefectures in Guangdong, including Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Zhaoqing, Huizhou, Dongguan, and Zhongshan), and Chongqing.

According to an internal policy document gathered during fieldwork, prefectures covered by the action plan in Guangdong Province were expected by the provincial-level leaders to reduce the annual concentration of PM_{2.5} more and more aggressively in following years (Figure 3.3). For instance, prefectures 1–4 were supposed to reduce concentration by 20 percent in 2017, compared to 2013 levels. The degree of regulation was expected to become gradually more stringent over time.

In August 2015, the General Office of the Chinese Communist Party and the State Council (2015) jointly issued the Regulation on the Accountability and Liabilities of Communist Party Leaders and Government Officials for Ecological and Environmental Damages (Trial) (党政领导干部生态环境损害责任追究办法 [试行]), which spells out the liabilities for severe environmental deterioration during tenure (Article 5) and during lifetime (Articles 4 and 12). Article 9 stipulates that resource consumption, environmental protection, and ecological benefits should become essential criteria in local cadre evaluation. The Proposal on Formulating



	2014	2015	2016	2017
Prefecture 1	2	6	12	20
Prefecture 2	2	6	12	20
Prefecture 3	2	6	12	20
Prefecture 4	2	6	12	20
Prefecture 5	1.5	4.5	9	15
Prefecture 6	1.5	4.5	9	15
Prefecture 7	1.5	4.5	9	15
Prefecture 8	1.5	4.5	9	15
Prefecture 9	0.8	2.4	4.8	8
Prefecture 10	0.8	2.4	4.8	8

FIGURE 3.3 Official annual reduction targets (%), using 2013 levels as the baseline, for the ten prefectures in Guangdong Province with binding $PM_{2.5}$ reduction targets under the Clean Air Action Plan. Internal policy document.

the Thirteenth Five-Year Plan (2016–2020) on National Economic and Social Development (中共中央关于制定国民经济和社会发展第十三个五年规划的建议), which was adopted at the 5th Plenum of the 18th Party Congress in October 2015, set a target for reducing $PM_{2.5}$ by 18 percent in areas that exceeded the threshold of $35 \mu\text{g}/\text{m}^3$ by 2020 (Central Committee of the CCP 2015).

In the energy realm, Chinese leaders have been leading an “energy revolution” that seeks to promote energy conservation and emissions reduction, as reflected in the 13th FYP (State Council 2015b). Promoting green energy has the effect of lessening the tradeoff between economic output and pollution emissions, thereby contributing to dampening the political pollution wave. In the spirit of an “energy revolution,” the Ministry of Finance rolled out plans to spend RMB 21.1 billion on energy conservation and environmental protection in 2014, up 71.1 percent from the previous year (Reuters 2014). In 2016, China signed and pledged to ratify the historic Paris Agreement. President Xi made a famous remark at the opening of the Business 20 (B20) – the official G20 dialogue forum with the global business community – in

Hangzhou in September 2016 that, “green mountains and clear water are as good as mountains of gold and silver. To protect the environment is to protect productivity and to improve the environment is to boost productivity In promoting green development, we also aim to address climate change and overcapacity.”

Later, China has become widely perceived as a rising global leader in the battle against climate change after President Trump announced plans to repeal the Obama-era Clean Power Plan, eliminate climate change from the national security strategy, and withdraw the USA from the Paris Agreement. This perception is reinforced by Xi’s statement at the 19th Party Congress in October 2017 when he affirmed China’s goal to “take a driving seat in the international cooperation to respond to climate change” (Beeler 2017).

3.4.3 *Strategic Planning*

To show that top local leaders can plan the economy and manipulate regulatory stringency strategically, I put forth and validate three propositions here. The first proposition is that local leaders can control the local economy; the second proposition is that local leaders can plan the economy; the third proposition is that local leaders can strategically manipulate the regulatory stringency of pollutants.

Local leaders are in control of the local economy via two pathways. First, they can do so by influencing their growth. Local leaders can set desired annual growth targets that are subsequently translated into microlevel goals via a variety of conduits, such as the yearly production targets at state-owned enterprises (SOEs); can approve or otherwise the inauguration of infrastructure projects; and can set the tax rates for key industries (Interviews 0717BJ04, 0717NJ04, 0717NJ05, 1017NJ07).

Second, top prefectural leaders can augment the scale of the local economy by fostering acquisitions and mergers among both state- and privately-owned enterprises to not only signal their excellent economic competency to superiors but also to expand the scale of the local economy and mitigate employment pressure (Yang and Zheng 2013; Xu, Yang, and Li 2017). The increase in overall industrial scale thanks to acquisitions and mergers also entails more production and more pollution emissions. Other principal ways top prefectural leaders can boost growth are by influencing the approval of infrastructure projects and stimulating favorable tax rates for key industries (Interview 1017NJ07).

3.4.4 *Regulatory Forbearance and the Reversal of Fortune*

Local leaders can order laxer or more stringent regulation of pollution, especially at strategically important times. Top political leaders wield their power over the bureaucracy to implement policies in ways that are strategic for them. The leaders order regulatory forbearance when the state has the institutional capacity – both

fiscal and administrative – to enforce laws or regulations, but politicians or leaders rather than their bureaucrats choose not to do so; this nonenforcement is intentional and revocable (Holland 2016). Strategic noncompliance in situations without budgetary, resource, or capacity constraints is frequently underpinned by career incentives, a critical feature that differentiates strategic noncompliance from selective policy implementation (O'Brien and Li 1999). An essential element of regulatory forbearance in pollution regulation is that it can be done very quickly, which differs from the growth-adjustment approach.

Unlike existing works, which have deepened our understanding of how the lack of funds, revenue, and capacity contributes to poor environmental policy implementation (Schwartz 2003), I argue that even in situations where resources and capacity are not a constraint, strategizing top prefectural leaders may still order laxer regulation of productive yet highly polluting industries or projects at strategic times to achieve three goals. First, they want to meet and preferably exceed economic targets set by upper levels, since the ability to reach such objectives is crucial in evaluation reviews (Zhou et al. 2013; Interview 0715CD04). Second, strategic leaders want to generate more revenue, of which large polluting industries are often a significant contributor. The more these industries produce, the greater the tax revenue flowing to the local government. The local government, under pressure to meet targets, gradually becomes a silent partner of these industries. Third, out of concern for social stability, local leaders loosen their regulatory grip on highly polluting factories when they feel they may be close to the end of their tenure, to not only keep the economy growing but also maintain workers' jobs in order to prevent workers' protests that threaten social stability (Interview 0715CD04). For instance, the local government might call up the local EPB to request that they relax inspection activities at large factories that hire predominantly male workers (Interview 0715CD03). The achievement of these three complementary goals comes at the expense of the environment. Between economic planning and pollution regulation, the latter is more plausible in explaining the variation in air quality over time since planning takes longer to induce changes in production outcomes, but ordering laxer regulation of pollution can be accomplished quickly via a phone call.

When environmental protection takes on more importance, strategizing local leaders are now faced with a very different set of priorities, as a result of which economic growth sometimes yields to air pollution control. Under pressure to create blue skies, the local government turns against the polluting industries that used to contribute significantly to the coffers of their jurisdictions, by ordering stringent regulation and the shutting down of an entire industrial sector to quickly achieve air quality results. In doing so, local leaders also risk social instability, as workers are laid off without reassignment arrangements. In this situation, the achievement of environmental quality comes at

the cost of economic growth and even social stability – the former beneficiaries of regulatory forbearance experience a reversal of fortune.

3.5 CONCLUSION

This chapter provides a brief overview of governance in China, as well as central-local delegation, with a particular emphasis on environmental governance. China's hierarchical governance system depends on local leaders, especially those at the prefectural level, assuming responsibility for national policies and overseeing their implementation. The *nomenklatura* political personnel management system allows each level to select the immediately lower level of officials. *Nomenklatura* provides incentives for local officials to fulfill targets and implement policies in ways consistent with the preferences of their political superiors.

Furthermore, the chapter covers the various aspects of local governance, incorporating new findings from field interviews with local actors and scholarly experts as well as internal policy documents. The main points include, first, local leaders typically want to get promoted. Second, economic growth and social stability (before 2010) and environmental protection (after 2010, and especially after 2012) are crucial criteria for their promotion. Finally, local leaders can plan the economy and strategically leverage environmental regulation. The implementation patterns fostered by aspiring local political leaders thus result in ebbs and flows of air pollution levels. As I will discuss in Chapters 4 and 5, regulation is the main lever that local leaders have resorted to in order to achieve their objectives.