The Cadre Evaluation System at the Grass Roots: The Paradox of Party Rule

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The Chinese party-state shares with other large, hierarchical organizations significant agency problems; local agents of the state tend to behave opportunistically, contrary to the interests of their principals.¹ Such agency problems stem from conflicts of interest between principals and agents and from information asymmetries that typically characterize principal-agent relations.² State officials in China employ a formal evaluation system (kaohe zhidu) to control the behavior of their subordinates. Drawing on principal-agent theory, this paper contends that the nature of the evaluation system helps to explain dysfunctional aspects of policy implementation at the grass roots and that problems with policy implementation, in turn, help to explain subsequent changes in the evaluation system itself. This characterization is consistent with adaptive learning on the part of principals. In the final section, the chapter argues that, paradoxically, even as the evaluation system has exacerbated problems in policy implementation, it has simultaneously contributed to the durability of rule by the Chinese Communist Party (CCP). Indeed, the relative stability of CCP rule, in contrast to the loss of power by communist parties in other former socialist states and contrary to claims of pervasive political decay in China,³ demands explanation.

The chapter begins by providing some background on the development of the cadre evaluation system since the initiation of reform in 1978, arguing that changes in cadre evaluation represent an early and important element

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of political reform in China—albeit not democratic political reform. The next section analyzes the characteristics of the system in terms of principal-agent theory. It demonstrates that the cadre evaluation system has used a combination of specific performance-based measures and high-powered incentives—a combination that is unusual among lower- and middle-level managers in large organizations. This combination has contributed to severe moral hazard problems in certain policy arenas. The concluding section argues that, at the same time, the system has provided substantial rewards for cadres who perform well, thereby enhancing their commitment to the party, and has elicited minimally acceptable levels of performance from other cadres, thereby contributing to the effectiveness of CCP rule.

Background

Although Chinese leadership has become infamous for undertaking economic without political reform, important but often-overlooked changes in the formal system by which local state officials are evaluated were initiated contemporaneously with reforms in the economic system. The process of cadre evaluation began to receive significant attention shortly after the Third Plenum of the 11th Central Committee in December 1978, which signaled the beginning of the reform era. Hua Guofeng addressed the issue briefly in his “Work Report of the Government,” delivered to the Second Session of the Fifth National People’s Congress in July 1979, and, in November 1979, the Organization Department of the Central Committee of the CCP issued a document calling for the establishment of a new evaluation system.4 This document instructed each jurisdiction to formulate clear and specific content and standards for assessing cadre performance. The system was to be developed on an experimental basis initially, with the goal of instituting a formal system within two to three years. Experiments were to be conducted in counties, communes, party and government organs, and various other government institutions.5

The document specified that the methods and content of evaluation should be specific to cadres’ positions. With respect to cadres in local leadership

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5 The following paragraphs draw on Susan H. Whiting, Power and Wealth in Rural China: The Political Economy of Institutional Change (New York: Cambridge University Press, 2001).