

With its corruption crackdown, China is also stamping out innovation

Written by Yuen Yuen Ang, Assistant Professor of Political Science, University of Michigan

Businesses and governments around the world are watching as China grows, innovates and extends its influence. We explore how the country got to where it is and what might be in store for its future in our series [Understanding China's Influence](#).

Guo Yongchang, party secretary of a rural county in China's Henan province, did not fit the stereotype of a corrupt Chinese official. Featured in the documentary, [The Transition Period](#), he was revealed as an overworked and genuinely dedicated leader. Every day, he toiled from dawn to dusk, courting investors, inspecting construction projects, and resolving social conflicts, both big and small.

Yet the final seconds of the film reveals a twist: shortly before retiring, Guo was found guilty of taking bribes and sentenced to seven years in prison. Guo's story reflects a broader reality in China: economic development and corruption goes hand-in-hand. Local leaders take on overwhelming responsibilities. They actively seek out growth opportunities for their locales, exercise power, and in the process, profit themselves too.

Once that's understood, it's clear that President Xi Jinping has set himself up with an impossible task: keep the economy humming under state domination, while trying to eradicate corruption.

Xi's sweeping anti-corruption campaign has stalled economic growth not only by dampening the [demand for luxury goods](#). That's just a tiny part of the story.

The larger problem is that the campaign has forced local officials to become highly risk averse and unwilling to attempt policy innovations on the ground. But China's speedy growth in the past decades was precisely fuelled by the bold initiatives and discretionary actions of local leaders.

Take for instance the case of party secretary Cai, the top leader of Blessed County in Zhejiang province, [featured in my book](#): *How China Escaped the Poverty Trap*. Locals rave about this man's lasting legacy. In the early 2000s, Cai had the foresight and determination to construct a central business district from scratch, which later on spurred industrial clusters and a vibrant

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services economy. His forceful program, however, did not go without friction. It met with fierce resistance from some and earned him foes.

Hence, a local entrepreneur remarked with admiration: “Such reforms take courageous leaders, who dare to shoulder responsibilities for taking bold steps.” The current political climate does not tolerate a maverick like party secretary Cai. Today, it would be career suicide to take the risks and bold steps that he did a decade ago.

In other words, setting aside corrupt dealings, all policy innovations entail political risk. Any attempt to make unpopular decisions, try new policies, or engage with businesses – even by genuinely honest politicians – may incur charges of corruption in the ongoing campaign.

Hence, it is no surprise that China’s local officials now prefer to sit on their hands. Doing nothing is the safest strategy. Despite the central government’s approval of trillions of yuan worth of investment projects in a bid to stimulate the economy, local officials have dragged their feet on using these funds, for fear of exposing [themselves to political risk](#).

As local officials become paralysed, China is inadvertently becoming increasingly centralised. Awesome as it may seem, Beijing is incapable of promoting growth by itself, let alone innovating.

What does this all mean? It means that if Xi is intent on having a strictly disciplined bureaucracy, with little room for deviance, then he cannot expect the bureaucracy to accomplish much.

In democratic countries, citizens typically complain and poke fun at lazy, paper-pushing bureaucrats. As James Wilson, a guru of the American bureaucracy once noted, the stereotypical bureaucrats are “lethargic, incompetent hacks [who go] to great lengths to avoid the jobs they were hired to do”. This description is beginning to fit China’s bureaucrats as well.

Crucially, in America, despite complaints and mockery of an unentrepreneurial bureaucracy, the market economy continues to buzz on its own. That’s because the people who operate in markets and take risks are primarily private citizens, not bureaucrats. It is sufficient that the

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government delivers the minimum; they do not need to substitute for entrepreneurs.

In China, however, we see the reverse: while there is a sizeable private sector, state officials have traditionally played a lead role in the economy. Local governments were the primary agents of improvisation and adaptation to changing conditions. They envision, plan, publicise, allocate resources, raise funds, build infrastructure, and personally mediate private conflicts.

In this context of big government, when bureaucratic entrepreneurship is suppressed, it has a serious impact on development and governance.

President Xi's campaign wants to have it all: state control over the economy, bureaucratic entrepreneurship, and at the same time, strict adherence to rules. But in politics as in life, nobody – even the most powerful leader – can have it all. In preparation for the next Party Congress, it's time for the Chinese leadership to ponder what the role of local governments ought to be, and, moving forward, to place realistic demands on its bureaucracy.

Yuen Yuen Ang does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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