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To cite this article: Michael Rochlitz, Vera Kulpina, Thomas Remington & Andrei Yakovlev (2015) Performance incentives and economic growth: regional officials in Russia and China, Eurasian Geography and Economics, 56:4, 421-445, DOI: [10.1080/15387216.2015.1089411](https://doi.org/10.1080/15387216.2015.1089411)

To link to this article: <https://doi.org/10.1080/15387216.2015.1089411>



Published online: 05 Oct 2015.



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Performance incentives and economic growth: regional officials in Russia and China

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(Received 14 January 2015; accepted 29 August 2015)

How does the degree of centralization and decentralization of political control affect economic performance? To investigate this question, we gather and analyze a comprehensive original data-set measuring the performance, career paths, and incentives of regional officials in China and Russia during the last 15 years. Both China and Russia combine centralized personnel selection with substantial administrative autonomy for regional officials, but differ substantially with respect to the economic outcomes produced by their bureaucratic systems. We find that in contrast to China, regional leaders in Russia are unlikely to be promoted for economic or social performance, have a lower turnover, are almost never transferred from one region to another, have less experience in executive positions, are more likely to come from the region they govern than their Chinese counterparts, and are not encouraged to show initiative in economic affairs and engage in economic policy experimentation.

Keywords: China; Russia; bureaucracy; regional officials; economic performance; career incentives; centralization; decentralization

1. Introduction

Regional and local officials represent crucial links in the chain of state administration in developing and transitional states. They implement the central government's policies, provide local firms with access to infrastructure, and transmit information about local problems to higher officials. They are responsible for collecting taxes and sending them on to the center. In turn, they may also lobby the central state for support for local projects or for permission to pursue their own policies. While regional administrations can play an important role in promoting economic development, corrupt and predatory officials can also significantly harm a regional economy by extracting bribes or deterring entrepreneurs from investing if property rights are seen as insecure (see e.g. Frye and Shleifer 1997; Brown, Earle, and Gehlbach 2009; Remington 2013a). In models of "market-preserving federalism," the capacity of regional and local officials to fend off confiscatory demands from central government officials is believed to explain successful growth-enhancing performance. On the other hand, if the threat of local private or public malfeasance is substantial, then central government control may be the principal

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constraint on local shirking, predation, and corruption (Qian and Xu 1993; Cai and Treisman 2006).

A school of thought associated with the theory of “market-preserving federalism” holds that whether or not formal federalism characterizes a state’s polity, the existence of sub-central territorial governments with significant jurisdictional autonomy can promote economic development through competition. Derived from the theory of fiscal federalism, the market-preserving federalism concept holds that regional officials compete to induce productive investment by establishing a favorable institutional environment; at the same time, they may ally to block attempts by central government officials to confiscate surpluses. In the absence of well-developed national market-oriented institutions, local jurisdictional competition can substitute for them and provide institutional conditions favorable to economic growth. In a series of works, Barry Weingast and others have applied this framework to explain how China has succeeded in stimulating high economic growth rates in the absence of well-developed property rights (Montinola, Qian, and Weingast 1995; Weingast 1995; Jin, Qian, and Weingast 2005). These studies contrast China’s greater decentralization – sometimes linked to the “M-form” organizational structure it inherited from the pre-reform era – with Russia’s greater administrative centralization from the “U-form” model it inherited from the high Soviet system (Qian and Xu 1993; Qian, Roland, and Xu 1999, 2006). Finally, the decentralization school also pointed out how Chinese regional governments were allowed to keep most of the extra revenue earned due to high growth rates, while almost all extra income generated in Russia had to be transferred to the center (Jin, Qian, and Weingast 2005), leading to pro-growth fiscal incentives in China but not in Russia.

A competing perspective argues that not decentralization but centralization explains China’s economic success. Central party and government structures set tasks, monitor performance, and promote officials based on their success in inducing growth (Cai and Treisman 2006). Indeed, a number of authors argue that despite the important role played by economic decentralization in reform era China, the capacity of the central state to monitor and control lower level agents has actually increased rather than declined during the time (Edin 2003; Landry 2005).

While the ability of higher level officials to effectively incentivize lower level agents is probably one of the key drivers of growth in China, this incentive structure has also given rise to a growing number of problems. Driven by the prospect of promotion and the necessity to fulfill performance targets imposed from above, lower level officials might focus on easily measurable targets, but neglect the broader concerns of the people they govern (Tsui and Wang 2004) or implement mandates selectively (Birney 2014). One consequence of this often single-minded focus on easily measurable targets such as GDP growth, for example, is that China is experiencing increasingly serious environmental problems (Eaton and Kostka 2014).

Also putting the emphasis on centralization, Blanchard and Shleifer (2001) argue that Russia’s relative weakness in economic development compared with that of China during the 1990s was due to the fact that Russia’s state was less centralized than China’s. They claim that Chinese regional governments were more successful in fostering growth than their Russian counterparts because the strong political centralization in China made it possible for the Chinese central state to successfully discipline and induce local governments to favor growth, whereas the Russian central state was too weak to do the same. Writing in 2001, they argue that the election of governors weakened the Kremlin’s ability to promote and demote officials based on economic performance.

While the centralization and decentralization theories both explain part of the story why China's economic transition was so much more successful than Russia's during the 1990s, they are less able to account for the continuing divergence in growth trajectories during recent years. In this paper, we argue that during the last 15 years, Russia and China have become more similar in some of the dimensions outlined above. In particular, since the early 2000s the Russian central state has reasserted its political authority over Russia's regional governors, bringing the Russian system closer to the Chinese one where centralized personnel control is combined with substantial administrative autonomy for regional officials. During roughly the same time, a recentralization of fiscal control took place in both countries. Whereas regional governors in Russia enjoyed significant financial and political independence from the federal center during the 1990s, this has changed during the 2000s as Putin imposed a substantially greater level of fiscal and political control over the regions (Reddaway and Orttung 2003, 2005; Stoner-Weiss 2006). Likewise, after the substantial fiscal decentralization of the 1980s, China adopted a major tax reform in 1994 that resulted in a significant increase in the share of tax revenues flowing to the central government. During the 2000s, the two countries have thus reached a comparable level of fiscal centralization, with the share of the central government in total state revenues being 48 percent in China and 61 percent in Russia in 2012 (Figure 1).

With political and financial re-centralization, Russia regained the capacity to adopt performance-based incentives for regional officials, as in China. At the same time, the official policy objectives in both countries also became more comparable, with the central government in Russia trying to promote economic modernization and diversification.

The question we ask is why Russia did not use these new possibilities to pursue these economic goals? Why did Russia's regions continue to perform so much worse than their

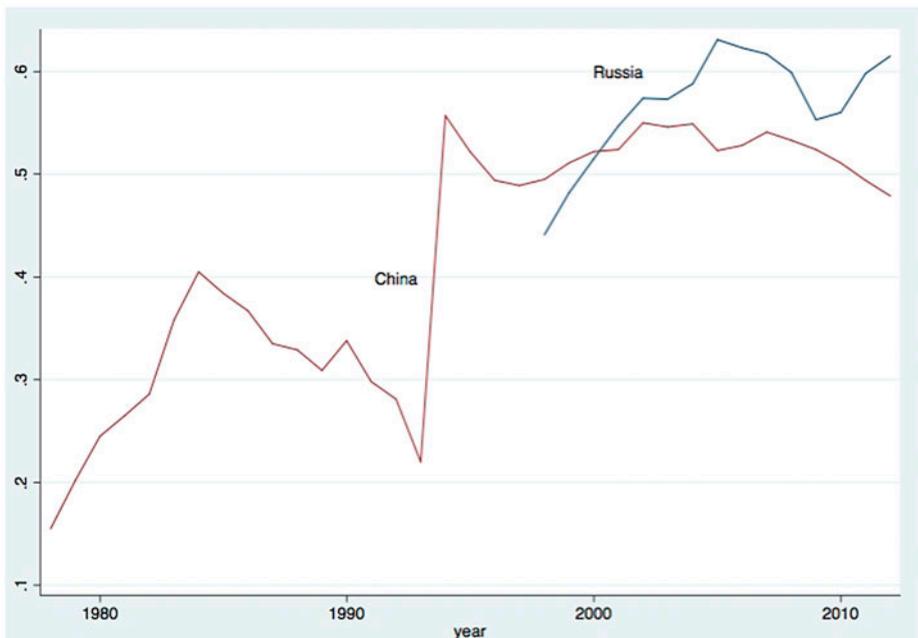


Figure 1. Central Government Share of Total Revenues, China and Russia.

Source: Finansy Rossii; China Yearly Macro Economics Statistics (www.chinadataonline.org).

Chinese counterparts across a series of performance indicators during recent years, such as economic growth, the implementation of industrial policy, or the modernization of infrastructure? We argue that at least part of the answer can be found in a number of specific features of the Russian system that make performance-related evaluation of regional officials more difficult in Russia than in China, and that the informal policy priorities of the ruling elites in both countries also play a crucial role. Going beyond the specific context of Russia and China, answering this question can provide us with important insights about how, why, and when performance-related incentives for regional bureaucracies work in states with a large number of sub-central territorial governments.

To answer the question, we have gathered and analyzed a comprehensive data-set about the performance, characteristics, and career paths of Chinese and Russian provincial leaders who held office between 1999 and 2012. We believe that a comparative study of the Chinese and Russian bureaucracies lends itself particularly well to gain an understanding of how different features of bureaucratic recruitment and monitoring affect the incentives for regional officials' performance.

In many respects, the two countries vary markedly. The culture, language, and history of Russia and China differ significantly. China's population is ten times larger than that of Russia. The starting points for liberalizing reforms could have scarcely been more different: China was a largely agrarian society, Russia a largely urban, industrial society; China's bureaucrats had just undergone the trauma of the Cultural Revolution, whereas Soviet bureaucrats were adept at resisting any loosening of control. While Chinese peasants were eager to respond to the opportunity to produce for market profit, Russian peasants, workers, and managers were fearful of liberalization and unsure of the leaders' commitment to it. Russia's economy was dominated by giant loss-making industrial firms, whereas China's was still heavily oriented to manual labor, and the share of defense production in the Soviet economy was far greater than that of China (Aslund 2007, 4–5, 38–40).

Upon closer inspection, however, China and Russia share a number of characteristics that warrant a comparison. No other countries of similar size have undergone or are undergoing the transition from state socialism to a market-based system. Size matters because the two countries both feature a large number of regions and significant regional heterogeneity that makes it possible to examine variation both at the national and regional levels. Crucial for our purposes is the fact that China adopted most of the features of the Soviet Union's model of economic, political, and social organization as it was building its communist economy in the 1950s. Although both countries have significantly changed since the onset of reforms, to this date, socialist legacies still shape many aspects of their economies in a similar way, for example in the continuing centrality of state-owned enterprises to the economies and social fabric of many towns and regions (Remington 2013b).

As a consequence, despite different starting points for economic reform, regional officials in Chinese and Russian regions today face comparable economic and social policy challenges. In both countries, the center expects regional officials to promote economic development while preserving political and social stability. Regional officials in China and Russia have to attract investment, oversee economic planning, and meet fiscal targets, while simultaneously coping with such problems as a still-large reliance on non-material social benefits, a high social tax on the formal sector, rising income inequality, and increasing dualism and informality in the labor market.

Nonetheless, China's record of economic growth, industrial policy implementation, and infrastructure development has continued to drastically outpace Russia's during the last 15 years, especially since the economic crisis of 2008. To a large extent, the

country's regions have been China's growth engine, contributing to a remarkable, sustained period of high economic growth that is longer than that of any other country in history. In contrast, Russia's period of high-level growth during the 2000s (averaging about 7 percent per year from 1999 until 2008) looks in hindsight more like an episode of recovery-based growth than a longer term trend. Russia's GDP fell about 8 percent in 2009, and its growth rate after the financial crisis was trending toward zero even before the onset of the Ukraine crisis in 2014 (Figure 2). What is more, Russia's growth between 1999 and 2008 was mainly caused by high oil prices, underutilized resources being put back to use after the slump of the 1990s, and positive effects of a number of fundamental reforms conducted during the early 2000s (Aslund 2007; Goldman 2008). Despite the leadership's calls for the modernization and diversification of the economy, the economy's dependence on resource rents only increased.

We are aware that there are many reasons why Chinese regions might have been more dynamic and faster growing than Russia's regions during the last 15 years, such as lower wages, a different industrial structure, the availability of natural resources in Russia and the associated problem of the resource curse, as well as Russia's particular geography, with many regions being more difficult to access than China's coastal provinces. However, considering Russia's highly educated population, the country's wages and general income levels are still surprisingly low in international comparison. Similarly, the fact that there are a small number of highly competitive regions in Russia where the regional administration has played a key role in fostering growth and attracting foreign investors raises the question why most Russian regions do not follow this example. In this paper, we therefore argue that one additional important reason why Russia is underperforming with respect to China is the often huge differences in the

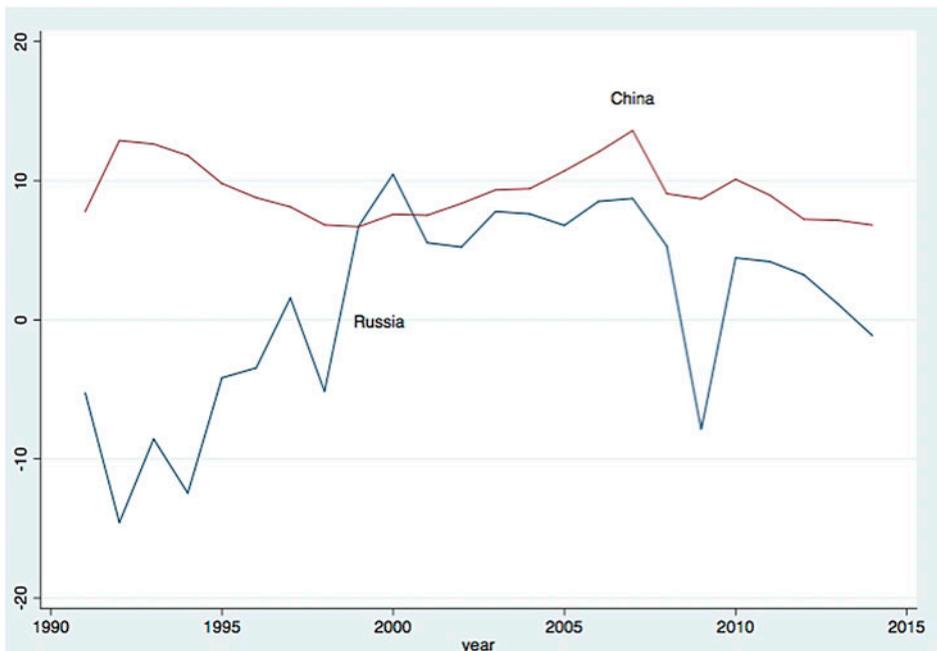


Figure 2. Annual GDP per capita Growth Rate, Russian and China, 1990–2013. Source: World Bank, World Development Indicators.

performance of regional administrations between the two countries, which we attempt to trace back to features of bureaucratic administration and incentives imposed by the respective central elites.

To see to what extent this divergence in outcomes can be attributed to differences in bureaucratic organization, we distinguish among mechanisms by which the center may shape the incentives of regional officials. In particular, we will focus on the *recruitment*, *task assignment*, and *monitoring* of regional officials in both countries.

Recruitment refers to the means by which officials acquire and lose office. Both Russia and China use centralized mechanisms for recruiting regional officials. China, following the Soviet model, uses the nomenklatura system. The nomenklatura system is a party-run hierarchically structured institution for identifying, training, evaluating, rotating, and dismissing officials who hold political offices in party, state, and society (Harasymiw 1984). It is managed by dedicated departments of the party apparatus operating at every level of the party hierarchy, with all party and government officials in China being recruited through the nomenklatura system.

Russia abandoned the nomenklatura system when it eliminated communist party control of the political system. The presidential administration has taken over the function of identifying, vetting, selecting, rotating, and dismissing officials in the state apparatus (such as governors and ministers) and other state-related bodies. Although there was a period between the mid-1990s and mid-2000s when regional governors were selected by direct popular election, the presidential administration continued to maintain tight control over governors, for example by granting or withholding its material and political support from particular governors and governor-candidates (Ross 2003; Goode 2011). And even though gubernatorial elections were restored in 2013, the Kremlin continues to maintain tight control over the selection of candidates and election outcomes.¹

Task assignment refers to the specification of policy outcomes that regional and local officials are held responsible for achieving; these can be arranged as a simple list of evaluation criteria or a set of targets ranked by priority. The targets may be more or less formalized and more or less individualized (China uses a system of performance contracts, for example, whereas Russia has experimented with a list of detailed performance criteria that at a certain point in time included more than 300 different points). An important aspect concerning evaluation criteria is the possible divergence between formal criteria (as written down in official documents) and informal criteria that are not formally acknowledged, but are understood by everyone involved, and therefore do in practice often take precedence over formal criteria.

Finally, *monitoring* refers to the means by which superior officials acquire and assess information about performance. In this paper, we will accord special attention to the incentives faced by those officials responsible for the monitoring and evaluation of regional officials as well as how these incentives might influence the monitoring process, the evaluation criteria used, and through this, the incentives and performance of regional officials. In particular, we argue that the larger degree of initiative-taking and economic experimentation of regional officials in China (see e.g. Heilmann 2008a, 2008b) is a result of the evaluation criteria used and the way officials are monitored in the country.

We consider the mechanisms of recruitment, task assignment, and monitoring based both on a detailed review of the relevant literature and on a comprehensive original data-set of leading regional officials who served in Chinese and Russian regions between 1999 and 2012. The data-set includes both a range of outcome indicators for the time an individual official was in office and detailed biographical information for each official.

We find that the two systems have become comparable in the degree of centralization of political control over regional officials' careers during the last 15 years, and we therefore argue that the centralization/decentralization axis is no longer the relevant factor in explaining differing outcomes and incentives for regional officials in both countries. We then analyze the relationship between performance in economic and social development and officials' careers in order to infer the nature of the task environment that officials face. Here, we find significant differences between the two countries, with high economic growth being associated with career advancement for regional officials in China, but not in Russia. For the latter, a growing empirical literature has instead underlined the importance of political loyalty as the main evaluation criterion. Finally, we also argue that institutional rules regarding career mobility and monitoring shape the performance incentives in the two systems to a significant degree. Specifically, the existence of clear term and age limits in China and not in Russia, and the effective absence of higher offices available to high-performing governors in Russia lead to Chinese regional officials facing an "up or out" rule tying economic performance to career horizons, whereas Russian governors are largely held responsible for ensuring political support for the central leadership, with the fear of demotion rather than the hope for promotion serving as the main incentive for performance.

The paper is organized as follows. Section 2 presents an analysis of the existing empirical literature on how China's and Russia's regional bureaucracies are organized, with a special focus on recruitment, task assignment, and monitoring. Section 3 introduces our own data. Section 4 discusses our findings from both the literature review and the data analysis and looks at the longer term determinants of both systems. Section 5 concludes.

2. Regional bureaucracies in China and Russia

Although the literature on regional bureaucracies in China and Russia is vast, no systematic comparative review of this literature has been undertaken to date. Taking a comparative perspective can provide us with valuable additional insights which do not seem obvious when focusing only on a single country.

2.1. Recruitment

In a comprehensive and widely cited literature review, Xu (2011, 1078) defines China's system as a "regionally decentralized authoritarian regime." Most reforms and economic tasks are carried out in the country's 31 provinces and lower subnational governance units (i.e. prefectures, counties, townships, and villages). However, appointments, promotions, and demotions of subnational officials are ultimately determined by the central government. While the center directly appoints governors and party secretaries at the provincial level, each level of government then controls the positions of leaders one level below it, forming a direct chain of personnel control. Thus, while the system is economically decentralized, it remains centralized politically, with the Chinese Communist Party (CCP) keeping the monopoly on defining the criteria by which regional leaders are evaluated.

One notable particularity of the Chinese system is its dualism; that is, at each position we find both a government executive and a representative of the CCP – a system based on the model of administration used in the former Soviet Union. Thus, a

Chinese region is simultaneously headed by a regional governor, and a party secretary, with the party secretary always ranked slightly higher (Zang 2003).

In Russia, President Vladimir Putin reconsolidated the federal state after coming to power. While Russia's regional governors had been publicly elected in their regions since the mid-1990s and enjoyed a significant degree of autonomy, Putin step-by-step re-established the so-called "vertical of power," culminating with a reform in late 2004 that replaced gubernatorial elections with appointments by the federal center. Although gubernatorial elections have since been re-introduced in early 2013, it is still very much the presidential administration that decides who is allowed to get re-elected and who not.

An important assumption we make in this paper is that despite a relative loss of power under Putin, Russia's regional governors still have sufficient policy autonomy to have an impact on economic and social development in their regions. We argue that this is indeed the case, and that therefore Russian regional governors can be compared to their counterparts in China, both before and after the 2004 reform. The fact that Russia has more than 80 federal regions makes it impossible for the center to keep tight control over every region and leaves regional administrations with a significant degree of autonomy. A number of examples such as the governor of the region of Kaluga, Anatoly Artamonov, who has played a significant role in attracting foreign direct investment to his region, show that regional governors in Russia can have a significant impact on growth and development, if only this is in their interest. In other words, the question is not so much if Russian governors have the possibility to positively influence growth and development in their region, but why so many Russian governors do not seem to care about these issues as much as their Chinese counterparts do.

2.2. Task assignment

A central matter when studying the performance of regional administrations is the nature of the tasks and objectives set by the center. Here, it is important to distinguish between formal policy objectives, as published on government websites, outlined during official speeches, or determined by national laws and regulations, and informal policy objectives. By informal policy objectives, we mean rules that are not officially acknowledged, but that are understood and acted upon by those involved, and may take precedence over formal rules and regulations.

China's current evaluation system of regional leaders stems from the mid-1990s. The Chinese civil service law states that all government officials shall be estimated by their superiors in terms of morality (*de*), competence (*neng*), efforts (*qin*), achievements (*ji*), and incorruptibility (*lian*). The law contains a specific list of activities that are either rewarded or punished, and includes a "target responsibility system" (*mubiao zeren zhi*), which consists of a series of indicators in the three areas of economic performance, social performance, and party construction.

Potentially more important than these rather vague criteria and targets (and different from the centralized Russian system) is how these targets are individualized in personal "performance contracts" (*gangwei mubiao zeren shu*). Performance contracts are signed by the heads of regional, county, and city administrations and consist of different indicators reflecting economic and social development, environmental conditions, and party development, with every indicator being weighted depending on the specific period and province (Wang 2010). Table 1 shows an example of a performance contract for Shaanxi province in 2007.

Table 1. Performance contract in Shaanxi province, 2007.

Area	Indicator	Weight, %
Economic development	GRP	10
	Budget revenue	10
	Direct investment	10
Social development	Science and education	6
	Culture, healthcare and sport	5
	Family planning	5
Living conditions	Average income	6
	City employment	4
	Social insurance	3
	Supporting people in need	2
Resources and environment	Energy saving	3
	Environment protection	5
	Land management	2
	Planting	2
Social security	Social stability	7
	Safety	5
Establishing civil and military groups	Creating the governance	5
	Management according to the law	3
	Building the basis of party organization	2
	Establishing loyal and incorrupt party organization	3
	Creating non-material civilization	2

Source: Wang (2010).

Officially, all the above-mentioned criteria are taken into account when the performance of regional governors in China is evaluated. During the evaluation process, aside from being assigned different weights, targets are also ranked in three different groups of soft (*yiban zhibiao*), hard (*ying zhibiao*), and priority targets with veto power (*yipiao foujue*). Priority targets (e.g. keeping social order or observing the one-child policy) are obligatory, and not following them leads to the demotion of an official, even if all remaining hard and soft targets have been achieved.

While all these criteria together make up the formal policy objectives for Chinese regional officials, we do not know to what extent they are actually taken into account by the center in Beijing to determine the promotion of regional officials, as the decision-making process within the party is not public. However, by empirically determining which (observable) policy outcomes have an impact on the promotions of regional officials, it is possible to approximate the criteria that really matter for promotions.

Especially for the period since the beginning of China's reforms until the mid-1990s, regional economic performance seems to be the one measurable outcome with the strongest impact on the probability of promotion (Maskin, Qian, and Xu 2000; Edin 2003; Whiting 2004; Chen, Li, and Zhou 2005; Li and Zhou 2005), even though some recent evidence suggests that political connections do matter as well. Thus, Jia, Kudamatsu, and Seim (2013) argue that connections and performance are complements in the Chinese political selection process, while for Shih, Adolph, and Liu (2012), factional ties as well as education and revenue collection are actually *more* important than growth performance in determining an official's rank in the CCP.

A possible answer to this puzzle is provided if we look at party officials and government executives separately. Once party and government officials are examined on their own, it appears that while for government officials economic performance criteria play a

dominant role, for leading party officials factional ties and political criteria become at least equally important (Walder 1995; Zang 2003; Tan 2006; Sheng 2009; Choi 2012), even though performance remains important as well.² This is consistent with the model developed in the Soviet regime, under which government executives were largely responsible for managing economic and social affairs, while the party secretaries performed functions of monitoring, guiding, and political leadership (Hough 1969). In China, this model persists, but has been substantially adapted to the imperatives of a market-oriented economy.

While the importance of economic performance and political loyalty is identified by many studies, evidence that other formal evaluation criteria might play a role in determining promotions is rather mixed. For example, paying attention to less quantifiable targets such as environmental protection, social welfare spending, addressing regional inequality, China's low share of domestic consumption, or rural farmers' land rights did not seem to have a measurable effect on promotions (Du, Fang, and Jin 2013; Feng, Lichtenberg, and Ding 2013; Wang 2013; Wu et al. 2013; Jia 2014; Kung and Chen 2013).

While China's personalized performance contracts differ from province to province, Russia's regional governors are formally evaluated according to a centralized list of performance criteria. Following the 2004 reform that replaced gubernatorial elections with appointments, a first formalized assessment system was introduced in 2007 consisting of 43 different economic and social indicators.³ During subsequent years, the original 43 indicators were continuously subdivided into new categories, so that by 2010 Russia's regional governors were formally evaluated by a list of 319 different performance criteria.⁴ As this system was continuously criticized for its complexity and impracticability (Kushubakova 2010), it was eventually replaced by a new system of 12 general indicators in August 2012, shortly before elections of regional governors were re-introduced in Russia's regions.⁵ Since from late 2012 onward, Russia's governors were again elected instead of being appointed by the president, this reformed evaluation system is not directly used to determine the promotion of regional officials. Instead, it is supposed to determine which regions are eligible for special grants from the federal budget, with the best performing regions getting the highest transfers.

However, even more than in the case of China, the formal and informal criteria used for the assessment of regional officials in Russia differ significantly. Initially, one of the main arguments in favor of replacing gubernatorial elections with appointments in 2004 was to make Russia's regional leaders more accountable to the center. However, it appears that the Russian federal center missed this opportunity to introduce a system of personnel control with performance-related incentives. Governors that were elected through 2004 differ only marginally in their characteristics with respect to those appointed from 2005 onwards (Buckley et al. 2014). In our own analysis in part 3, we do not find any significant differences in the number of promotions and demotions and in the way performance influences promotions and demotions in Russia for the periods before and after 2004.

The only post-reform change noted in the literature is the increasing importance of political loyalty as an informal criterion determining the appointment or re-appointment of Russian regional governors. A number of empirical papers have shown how political loyalty in the form of election results for the Kremlin party United Russia has become the decisive criteria for governors to keep their jobs since 2005, while most of the formal performance criteria listed above do not play a notable role (Reuter and Robertson 2012; Reisinger and Moraski 2013).

Instead of promoting economic and social development in a given region, the ability of a regional governor to manage a political machine in order to mobilize the regional electorate, for example, by encouraging regional firm directors to mobilize their workers, has become a key performance criterion (Frye, Reuter, and Szakonyi 2014). In this respect, it seems that the attempt by the Kremlin to gradually replace governors that were elected before 2005 by supposedly more politically loyal candidates from the federal center actually produced adverse results, with new appointees lacking the necessary political skills to successfully manage political machines (Reuter 2013). The return to gubernatorial elections in Russia in late 2012 might thus also have been motivated by a desire to strengthen again the political machines of pro-Kremlin regional leaders.

2.3. Performance monitoring

We thus see that regional policy regimes in both China and Russia are characterized by formal and informal task environments established by the central leadership. While in China it is primarily the growth performance of a region that counts for the regional executive, in Russia it is their ability to successfully manage regional political machines. Although the central governments in both countries repeatedly emphasize additional policy objectives, such as environmental protection and the reduction of inequality in China or economic diversification and modernization in Russia, in practice these additional criteria do not seem to play a notable role. In part, this might result from different policy objectives of the ruling elites in both countries, with the legitimacy and popularity of the CCP in China being tightly linked to the country's growth performance, while Russia's ruling elites seem to be very concerned about the risk of the ruling party, United Russia, performing badly in elections.

The way regional bureaucracies are organized in both countries also makes it difficult to create incentives rewarding the achievement of multiple objectives simultaneously. In particular, the way performance is monitored in both contexts results in growth in China and political loyalty in Russia becoming the dominant objectives, with other aspects being relatively neglected by regional administrations. Both are more readily observed than other criteria, such as quality-of-life indicators.

In the Chinese system, it has been argued that the re-shuffling and cross-rotation of regional leaders, aside from being a tool to promote well-performing officials and providing incentives for regional initiatives (Xu 2011, 1087), is used to disentangle the personal performance of regional officials from regional fixed effects (Xu, Wang, and Shu 2007; Yao and Zhang *forthcoming*) by making regions comparable. To do this, the actual number of leaders who are moved from province to province does not have to be exceptionally high, with Yao and Zhang (*forthcoming*, 6) finding that about 15 percent of city leaders were moved from city to city for this purpose from 1994 to 2008. In our data, we find a comparable percentage, with 12 percent of governors and 23 percent of party secretaries moved from one province to another between 1999 and 2012.

In comparison, in Russia only two officials have served in two different provinces during the same period (see Section 3). Sergey Sobyenin was governor of Tyumen Oblast from 2001 to 2005 before becoming head of the presidential administration and later replacing Yuri Luzhkov as mayor of Moscow in October 2010. The other case is Nikolay Merkushkin, who was appointed governor of Samara Oblast in 2012 after having served as head of the Republic of Mordovia from 1995 onwards. The absence of systematic rotation of regional leaders makes it difficult in Russia to compare different regions and distinguish the economic performance of a particular person from regional fixed effects.

While rotation is used in China to assess the personal performance of regional officials, the country's provincial party secretaries also play an important role in recruitment and performance monitoring. Whereas governors are primarily responsible for the implementation of economic and social policies in a given region, the regional party secretaries "serve as a key link between the CCP elite in Beijing and various government organizations in the country," with "the supervision of provincial government officials performing routine administrative duties" being a central task (Tan 2006, 6–7). China's regional party secretaries thus monitor the performance of China's governors and report upon it to the center in Beijing, probably constituting the single most important source of information informing the decisions of the CCP elite to appoint and promote regional governors. Indeed, Tan (2006, 8) notes that party secretaries "play a key role in selecting candidates for the post of governor."

Again, we stress that although party secretaries are not primarily assessed on the basis of provincial economic performance, regional growth still plays an important role in determining their further career advancement (Choi 2012). This is a key difference from Russia, where regional governors are monitored and evaluated by the presidential envoys who head the country's eight federal districts,⁶ as well as by the regional security services. While the presidential envoys and regional security services are to some extent responsible for keeping social stability and avoiding political unrest in the regions, they are not responsible for the economic performance of a region. Instead, Russia's regional security services are evaluated with respect to the number of successfully conducted inspections and controls they carry out, with the number of fines and penalties administrated positively entering the evaluation score (the so-called "*paloch-naia sistema*" [system of sticks], [cf. Nazrullaeva, Baranov, and Yakovlev 2013]). These monitoring agencies thus can disrupt the activities of regional administrations, but have no incentives to encourage regional governors to promote better economic performance.

A notable feature of the two countries' regional administrations is the fact that Chinese regional officials have been much more active in experimenting with different economic policies than their Russian counterparts, to the extent that regional experimentation has become a cornerstone of China's growth model (see Heilmann 2008a, 2008b). Although regional leaders in China face strong incentives to foster regional growth, they also need to secure new sources of income, especially after the financial reform of 1994. At the same time, they benefit from considerable autonomy in choosing policy means to increase growth and revenue, as long as they have backing of a central leader in support of a new initiative (Heilmann 2008b, 9). As party secretaries are also in favor of promoting regional growth, they usually support regional initiatives, which if successful are then scaled up and translated into national legislation.

In contrast, regional initiative and experimentation are not encouraged in Russia. While some rare examples exist of governors actively trying out new ways to attract investors, supporting small and medium business development or experimenting with new mechanisms to foster growth, the majority of Russia's regional administrations take a passive or skeptical view of experimentation. The problem lies in an overly regulated environment, as reflected in the 319 criteria used to evaluate regional officials. If a Russian governor wants to implement a new project that might potentially bring significant economic benefits to his region, the regional administration cannot avoid to violate some of the many contradictory regulations to get the new initiative going. As we have seen above, those agencies monitoring Russia's governors are themselves not evaluated upon economic performance, but are rewarded for the number of violations they discover, resulting in an environment that effectively stifles most attempts at

Table 2. Organization of regional bureaucracies: China vs. Russia (1999–2012).

	China	Russia
Recruitment	Central appointment	Central appointment (2005–2012), elections until 2004 and from late 2012 onwards
Formal criteria	Personalized performance contracts	Centralized list of (up to 319) performance criteria
Informal criteria	Economic growth & party loyalty	Election results for United Russia
Regional experimentation	Yes	No
Reshuffling between regions	About 12% of provincial governors and 23% of party secretaries are moved between regions	Only 1% of governors are moved between regions
Monitoring	Those doing the monitoring are also evaluated for performance	Those doing the monitoring are not evaluated for performance, but for uncovering regulatory transgressions

regional initiative and experimentation. Before now going on to our own data analysis in section 3, table 2 summarizes again the main differences between the Chinese and the Russian system of personnel control.

3. Data analysis

We use an original data-set to test our arguments. In particular, we intend to determine to what extent different organizational and monitoring structures make it easier within the Chinese system to evaluate individual performance and to put pro-growth incentives into place.

3.1. Data

We examine the period between 1999 and 2012, a time of relative political stability in both countries. In Russia, Vladimir Putin came to power in 1999, and has dominated Russia's politics ever since, whereas in China the period covers the end of the Jiang and Zhu administration, and the full length of the Hu and Wen administration.

We consider officials who were in office during this period, including those who started before 1999, and those who continued to serve after 2012. For China, we limit ourselves to regional governors and party secretaries, where a governor is the leader of a province's People's Government (the main administrative body in a region), and a party secretary is the leader of a province's Central Communist Party Provincial Committee. Within this dual system, party secretaries are considered to be ranked slightly higher than governors and serve as a link between central and local governments. Our sample includes governors and party secretaries for 22 provinces, 5 autonomous regions, and 4 municipalities.

For Russia, we collected data for governors in 81 Russian regions, excluding the region of Chechnya and the Autonomous District of Nenets for reasons of data availability. For simplicity, we call all regional leaders "governors," although in practice some are named "presidents" or "mayors" (as, for example, in the case of the president of Tatarstan, or of the mayors of Moscow and St. Petersburg).

Our sample includes 201 observations for China and 205 observations for Russia. The number of observations is larger than the actual number of officials (governors and party secretaries in China and governors in Russia), as one person can be a governor in

one region, and then again in another region, which we would count as two observations. Moreover, in China a person could be promoted from being governor to the post of party secretary in the same province, which we also count as two observations. In our sample for China, we have 101 observations for governor positions (76 provincial governors, 13 chairmen of autonomous regions, and 12 mayors of municipalities), and 100 observations for party secretary positions (78 provincial party secretaries, 11 in autonomous regions and 11 municipal party secretaries). For Russia, the majority of our observations are governors serving in oblasts and kraia (143), with 57 observations for leaders of autonomous regions and republics (that are generally characterized by a lower share of ethnic Russians), and 5 observations for the two federal municipalities of Moscow and St. Petersburg.

To test to what extent performance-related indicators have an influence on the career trajectories of regional officials, we must evaluate the personal performance of regional officials during their time in office. At least judging by the official criteria discussed in Section 2, what is valued primarily by the respective central administrations in both countries is economic performance and social development. We therefore gathered a range of economic and social indicators in these areas. We then took the average value of a respective indicator for the time a regional official was in office as well as the average value of the same indicator for the whole country during the same period. The difference between the two values gives us the personal performance of a given regional official, relative to the average performance of the country as a whole.

For both countries, we took the yearly growth rate of gross regional product, as well as total regional investment, as proxies for economic performance. As proxies for social development, we took average wage, average unemployment rate, and average food expenses' share in total expenses for China as the indicator of poverty, and average wage growth, average unemployment rate, and the percentage of the population living below the poverty line for Russia. Data for China have been gathered from www.chinavita.com and the Chinese statistics service, while data for Russia come from the Russian Federal State Statistics Service (www.gks.ru).

We also considered the change in the relative economic ranking of a province or region during the time a regional official was in office, by ranking all regions in a country according to their GRP per capita value. For example, when the governor of Moscow oblast Boris Gromov took office in February 2000, Moscow oblast had a GRP per capita value ranked 38th among all Russian regions. Gromov left his post in May 2012, and during the year 2011, his last full year in office, Moscow oblast was ranked 16th among all Russian regions. We thus assign Gromov a relative economic performance ranking of +22.

We consider Chinese governors "promoted" if their next position is secretary of the same or another province, head of a ministry, secretary, or mayor of a municipality; "demoted" if the next position is vice-minister, deputy secretary, vice-chairman, chairman of a subcommittee or any temporary structure, or president of a university; and "rotated" in other cases (e.g. governor in another province or director of an organization or institution under the State Council). For party secretaries, promotions and demotions are the same as for governors, with the exception of becoming secretary of another province (which we count as a rotation), and becoming a governor in another province (which we count as a demotion). For the case of Russia, we defined a promotion as a move from the position of governor to a position as minister or above in the central government, whereas a move to a position in the Federation Council (which has largely lost its powers in the 2000s) or to another position in the region was counted as demotion.

3.2. Results

The descriptive statistics suggest some telling differences between the two cases (Table 3). In China, 50 percent of all provincial governors who were in office between 1999 and 2012 were promoted, while 29 percent of provincial party secretaries were promoted. In Russia, only 6 percent of all governors who served in the country during the same time period were subsequently promoted to a higher post, while 50 percent assumed a post that was less prestigious after stepping down as governors (for both countries, the remaining regional leaders are either still in office or retired).

We see that the Chinese system is characterized by a much higher degree of upward mobility than the Russian system. A governor in China has a good chance to move further upwards on the career ladder (often becoming party secretary in the same or another province). Party secretaries are less likely to be promoted, but still 29 percent of secretaries will subsequently assume a post at the very top of Chinese politics. In Russia, promotions are relatively rare, with the few exceptions being special cases not related to the country's system of personnel control.

Russian governors are on average a bit younger than their Chinese counterparts when assuming and leaving office. While the age distributions for Chinese governors and party secretaries are clustered on the right end of the distribution, the age distribution for Russian governors shows an almost perfect normal distribution and has a wider range than that for Chinese provincial leaders (Figure 3). This nicely illustrates how the retirement age of 65 years for state officials is strictly enforced in China, while in Russia no such rule is in place. It also shows that prior experience is more important in China, with the youngest governors and party secretaries being 44 and 45 years old, respectively. In contrast, in Russia 20 governors in our sample (almost 10 percent) were younger than 40 when assuming office, with the youngest (Mikhail Prusak) being only 30 upon becoming governor of Novgorod Oblast in 1991.

An important point to note is that governors in Russia stay on average almost twice as long in office as their Chinese counterparts. We thus have a much higher rate of turnover in China than in Russia. Together with the absence of promotions, this shows how for

Table 3. Descriptive statistics – China vs. Russia.

	China 201 observations (101 governors/100 party secretaries)	Russia 205 observations (governors)
Number of promotions (as % of all observations)	40% (50%/29%)	6%
Number of demotions (as % of all observations)	30% (31%/30%)	50%
Average age of governor when leaving office	59/60	56.6
Average age of governor when assuming office	56/56	48.7
Average time in office (tenure)	4/5	7.9
Percentage of governors who were party members (CCP or UR) when leaving office	100%/100%	65%
Number of governors that were promoted or shifted to another region (as % of all observations)	17% (12%/23%)	0.5%
Number of governors with prior experience ^a in a region (“insiders,” as % of all observations)	53% (63%/43%)	82%

^aA governor is defined as having prior experience in a region if he was born in the region or has lived and worked in the region for at least six months before becoming governor.

Russian regional governors time in office instead of promotions seems to be a reward for performance. While longer time horizons can constitute a distinctive advantage when permitting state officials to engage in long-term projects and plan ahead, this is not necessarily the case in Russia, where a governor can be fired at any point in time if a project goes wrong (even after the formal re-introduction of elections that happened in late 2012). To a certain extent, the Russian system thus ends up with the worst of both worlds, with long-serving governors who nonetheless have permanently short time horizons.

We also see that about every fifth governor or party secretary in China is shifted to another province (or promoted, in the case of a governor becoming party secretary), while rotation of governors almost never occurs in Russia. Our data confirm the results found by Yao and Zhang (*forthcoming*) for Chinese cities, where 15 percent of mayors are moved between cities. It is also notable that almost all Chinese regional leaders spent at least a couple of months some time during their career in a party school for further training. Jordan, Turban, and Wilse-Samson (2013, 19) argue that in addition to the rotation of regional officials between provinces, the fact that they meet other officials during regularly scheduled training sessions at party schools plays a crucial role in disseminating information about successful and unsuccessful economic experiments in the regions, and thus is an important factor favoring institutional learning in China.⁷

A further difference lies in the proportion of “insiders” and “outsiders” in the two countries (Figure 4). In Russia, the number of insiders – those either born in the region or with prior work experience there – is relatively high, with outsiders only appearing as governors in the regions once Putin replaced gubernatorial elections with appointments in 2005. In China, the number of regional leaders who are insiders is much lower, with only 63 percent of governors and 43 percent of party secretaries having some prior experience in a region before assuming office during the period we study. The difference between governors and secretaries might partly be due to the fact that governors are often promoted to a post as party secretary in another province. However,

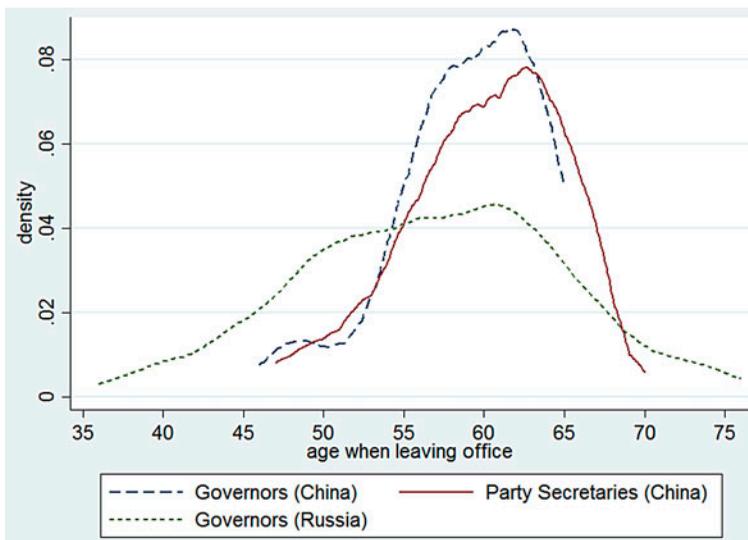


Figure 3. Age when leaving office (Governors in Russia vs. Governors and Party Secretaries in China).

it is also possible that because of their monitoring function, the CCP elite in Beijing prefers outsiders as party secretaries in the provinces, while for the post of governors who play a role as economic managers, local cadres are often preferred.

We then sub-divided our sample to look at the descriptive statistics for regional leaders in provinces, municipalities, and autonomous regions separately (Tables 4 and 5). For China, we see that while the percentage of promotions for regional leaders approaches 50 percent for provinces and municipalities, it is much lower in China's autonomous regions, with only 15 percent of government chairmen⁸ and 18 percent of party secretaries being subsequently promoted. It thus seems that promotions are used as incentives in provinces and municipalities but not in China's autonomous regions. In particular, being government chairman in an autonomous region seems to be a highly risky position, with 69 percent of government chairmen being subsequently demoted (as compared to 26 and 17 percent of governors and mayors in provinces and municipalities). Furthermore, while almost all government chairmen in China's autonomous regions (which are characterized by a high share of ethnic minority populations) are locals, most party secretaries in these regions are outsiders (Table 4). For Russia, the differences between the three groups of oblasts and krais (which in their characteristics are close to Chinese provinces), autonomous regions and ethnic republics, and federal municipalities are relatively negligible, with the exception that promotions are more likely in municipalities, and that autonomous regions are characterized by a higher degree of insiders (Table 5).

Finally, we examine the effect of the performance of regional leaders on their probability of promotion (Tables 6–8). To do this, we create two groups of best and worst performing regional leaders. As noted in part 3.2, we use six indicators of economic and social development for each country. For each indicator and official, we took the average value for the time during which the respective leader was in office, and then subtracted it from the national average value of the same indicator for the same period. The resulting figure gives us the average performance of a regional leader in a specific area during his time in office relative to the national average value.

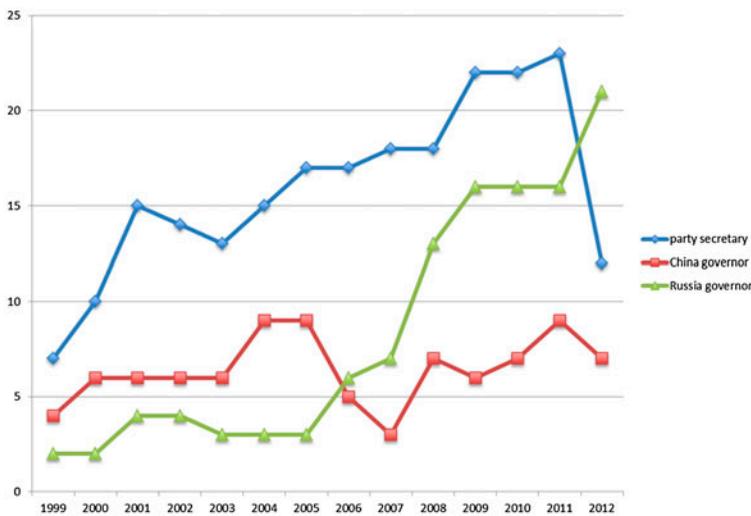


Figure 4. Governors and Party Secretaries without prior ties to a region.

Table 4. Descriptive statistics China (provinces, autonomous regions, and municipalities).^a

	Provinces (76 governors, 78 secretaries)	Municipalities (12 mayors, 11 secretaries)	Autonomous regions (13 chairmen, 11 secretaries)
Number of promotions (as % of all observations)	43% (57%/29%)	48% (50%/45%)	17% (15%/18%)
Number of demotions (as % of all observations)	28% (26%/29%)	13% (17%/9%)	50% (69%/27%)
Average age of governor when leaving office	59/60	60/63	60/59
Average age of governor when assuming office	56/56	56/58	55/55
Average time in office (tenure)	4/5	5/5	5/5
Percentage of governors who were party members (CCP) when leaving office	100%/100%	100%/100%	100%/100%
Number of governors that were promoted or shifted to another province (as % of all observations)	19% (14%/24%)	4% (0%/9%)	17% (0%/36%)
Number of governors with prior experience in a region ("insiders," as % of all observations)	52% (58%/46%)	48% (67%/27%)	67% (92%/36%)

^aIn this and the next table, we code a move as a promotion (demotion) if we are reasonably sure that the position taken during the year after the individual leaves the post of governor is of higher (lower) rank. We code a governor as having prior experience in a region if he or she was born in the region or has lived and worked in the region for at least six months before becoming governor.

Table 5. Descriptive statistics Russia (oblasts and krajs, municipalities, autonomous regions and republics).

	Oblast, krai (143)	Municipalities (5)	Autonomous regions, republics (57)
Number of promotions (as % of all observations)	7%	40%	2%
Number of demotions (as % of all observations)	51%	20%	51%
Average age of governor when leaving office	56	62	57
Average age of governor when assuming office	49	54	49
Average time in office (tenure)	7	8	9
Percentage of governors who were party members (UR) when leaving office	65%	80%	65%
Number of governors that were promoted or shifted to another province (as % of all observations)	0.7%	0%	0%
Number of governors with prior experience in a region ("insiders," as % of all observations)	78%	80%	95%

We then select the 20 best and the 20 worst performing regional leaders for each indicator. We check to see whether some leaders appear twice or more among the 20 best and worst performing leaders. The result gives us our two groups of best and worst performing regional leaders for both countries.

Consistent with the literature, we find that in China, the regional leaders in the group of best performers are indeed more likely to be promoted than those in the group of worst performers, although the difference when looking at China's 31 regions

Table 6. Best vs. worst performers (China vs. Russia).

	China 33 Best performers	China 35 Worst performers	Russia 31 Best performers	Russia 36 Worst performers
Promotions	14	12	2	1
Demotions (of which retired)	9 (5 retired)	13 (7 retired)	15	22
Similar position	3	4	1	2
Still in office	7	6	12	10
Died in office	0	0	1	1

Table 7. Best vs. worst performers China (provinces, municipalities, and autonomous regions).

China	Provinces		Municipalities ^a		Autonomous regions	
	30 Best performers	25 Worst performers	7 Best performers	3 Worst performers	7 Best performers	10 Worst performers
Promotions	16	7	3	3	2	2
Demotions (of which retired)	8(7)	6(4)	2	0	3	5
Similar position	3	5	0	0	1	2
Still in office	3	7	2	0	1	1
Died in office/no information	0	0	0	0	0	0

^aFor Chinese municipalities, two politicians figure both among the worst and best performers (Guo Jinlong and Bo Xilai). While Guo Jinlong was promoted, Bo Xilai was arrested in March 2012 and eventually sentenced to lifelong imprisonment, while being party secretary of Chongqing.

combined is not large (Table 6). However, if we separate provinces, municipalities, and autonomous regions (Table 7), we see that the results for China are driven by the provinces. While in the provinces, best performing leaders are significantly more likely to be promoted than worst performers, there is no discernible difference between the best and worst performers for municipalities and autonomous regions.

In Russia, we do not find a discernible difference between the best and worst performers with respect to promotions, although Russia's worst performing regional

Table 8. Best and worst performers Russia (oblasts and krais, municipalities, autonomous regions, and republics).

Russia	Oblasts and krais		Municipalities		Autonomous regions/ republics	
	17 Best performers	17 Worst performers	3 Best performers	0 Worst performers	12 Best performers	19 Worst performers
Promotions	1	1	1	–	0	0
Demotions (of which retired)	10	13	1	–	7	11
Similar position	0	0	0	–	0	0
Still in office	5	2	1	–	5	8
Died in office/no information	1	1	0	–	0	0

leaders are slightly more likely to be demoted than the group of best performers. This is consistent with our hypothesis that the fear of being demoted rather than the prospect of a promotion is a driving career concern for Russian governors.

In sum, the Chinese system thus indeed seems to be more likely to reward performance than the Russian system, although results are driven by the provinces and not by the autonomous regions and municipalities, which seem to be subject to a different regime of performance incentives.

4. Discussion

In the introduction, we asked why regional bureaucracies in China and Russia have continued to differ markedly in performance and outcomes during the last 15 years despite a bureaucratic structure and formal policy objectives that have become more comparable over time. The answers emerging from the literature review in Section 2 and our own data analysis in Section 3 are twofold. Firstly, while the *formal* policy objectives stated by the federal governments in both countries are relatively similar (with a focus on economic growth and social stability), the *informal* policy objectives of the ruling elites in Beijing and Moscow differ markedly. In China, the need to keep growth going continues to overshadow most other policy objectives. In Russia, in contrast, regional governors have to prove their loyalty to the ruling elites by delivering sufficiently high election results for the ruling party, United Russia, while economic and social development are accorded only secondary importance.

In the case of China, the fact that the legitimacy of the CCP is still tightly connected to its ability to deliver high economic growth certainly plays a role (Zhao 2009). Although other policy objectives such as environmental protection have become more important in recent years, in practice, growth continues to be the only objective that really seems to matter.

For the case of Russia, it seems that after the color revolutions that took place in a number of former Soviet republics during the mid-2000s, the ruling elites were genuinely afraid of a similar event occurring in Russia, even if this seemed unlikely to most external observers (Duncan 2013). As a consequence, it is possible that economic objectives were relatively neglected or even sacrificed during the 2000s in order to ensure the ability of regional elites to deliver high election results for the ruling Kremlin party,⁹ especially as, until the year 2008, high growth rates seemed to be guaranteed through a combination of high resource rents and economic catching up.

Once Russia's economic growth slowed down after the financial crisis, the country found itself stuck with a number of institutional features whose primary purpose was to secure political control for the ruling elites, instead of fostering economic growth, diversification, and development. In this paper, we argue that some of these features constitute the second reason why the Russian regional bureaucratic system is less able to produce the kind of performance incentives we find in China.

In particular, the fact that most positions at the center have been occupied for some time by a relatively narrow group of ruling elites leads to a lack of upward mobility for regional elites, which in turn explains why we do not find performance-related promotions in the Russian system. In addition, the significant investments in the Russian security apparatus that have taken place to control the political opposition (see e.g. Taylor 2011) have led to an oversized monitoring apparatus that stifles regional initiatives, as the security services continue to be evaluated according to the number of corruption cases and regulatory infringements they uncover (Nazrullaeva, Baranov, and Yakovlev

2013). Finally, the presidential envoys who oversee Russia's eight federal districts were put into place shortly after Putin came to power, with the specific objective to re-establish central control over Russia's regions. At the time, Putin still had to consolidate his power, and the battle between him, the oligarchs, and the strong regional elites headed by Russia's regional governors was still open-ended. In putting these new institutions into place, political control was clearly the main objective, whereas establishing institutions in support of sustainable long-term growth rates was not a priority.

To a certain extent, the institutional features that are keeping Russia's regions from showing the same kind of dynamism as regions in China have thus been locked into place as a reaction of the central state and a new group of ruling elites to the institutional dissolution that took place in Russia during the 1990s. Here again, a comparison with China provides an interesting perspective. While Russia's institutions today are in part a reaction to the institutional environment of Boris Yeltsin's Russia during the 1990s, China's institutional structure during the reform period is very much a result of the experience of the Cultural Revolution and the 27 years China was ruled by Mao Zedong (Vogel 2011). In particular, the decision to put into place a collective leadership that is regularly renewed due to a strictly enforced retirement age of 65 has played an important role in allowing the upward mobility that has become a central feature of the Chinese system (Manion 1993).¹⁰

5. Conclusion

In this paper, we asked to what extent different degrees of political centralization and decentralization explain diverging economic outcomes in states with a large number of subnational units. We find that the degree of centralization per se is no longer the main determinant of the persisting differences in performance between the countries. Rather, we argue that certain organizational and institutional features put into place during the early days of reform in China and during the early 2000s in Russia make it harder to introduce performance-related incentives in Russia than in China. In addition, we also find that the informal policy objectives of the central elites in both countries continue to shape these institutional features, leading to a focus on growth as the single-most important objective in China, and on political loyalty as the most important objective in Russia.

One central conclusion of the paper is that regional leaders are promoted for economic and social performance in China, but not in Russia. However, we find that this result only holds for Chinese provinces, whereas China's autonomous regions and municipalities seem to be subject to a different incentive regime. For Russia, on the other hand, an extensive literature has shown that instead of economic and social performance, political loyalty in the form of election outcomes for the ruling party is important for regional leaders to keep their job. Here, an interesting question for further research would be to investigate whether the country's ethnic republics (which are often characterized by election results for the ruling party ranging from 90 to 100 percent) differ in their incentive regime from other regions of the country.

More generally, the paper shows how performance-related incentives for regional bureaucracies are important to achieve policy results, but that putting such incentives into place is not an easy task. In particular, while policies of performance-related promotions seem to be able to motivate officials in the case of a single dominating policy objective, once several objectives are at play (as in the case of economic performance and environmental protection in China, or political loyalty and economic

performance in Russia), systems that combine centralized personnel control with regional policy autonomy seem to be much less effective in achieving multiple objectives simultaneously.

Acknowledgements

We thank Joseph Fan and seminar participants at the 2014 ICSID conference in St. Petersburg, the 2014 ICSID September seminar in New York, and the political science discussion group at HSE Moscow for valuable comments. The article was prepared within the framework of the Basic Research Program at the National Research University Higher School of Economics (HSE) and supported within the framework of a subsidy granted to the HSE by the Government of the Russian Federation for the implementation of the Global Competitiveness Program.

Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

1. For example, in the fall of 2014, 28 gubernatorial elections were held. In 20 of these regions, the incumbent governors asked President Putin for permission to step down early in order to run for office (a sitting governor may not run) with the advantage of incumbency and the president's endorsement. Of these 20, 14 were granted permission by Putin to resign and run again.
2. Indeed, Xu (2011) argues that as most regional party secretaries were regional governors before becoming party secretary, a precondition for them becoming party secretary was high economic performance when being governor.
3. Decree No. 825 of the President of the Russian Federation, signed on 28 June 2007, "On Evaluating the Effectiveness of Executive Agencies in the Subjects of the Russian Federation."
4. This list was accessible online (as of 19 June 2014) on the website of the Russian Ministry for Regional Development (http://www.minregion.ru/154/exec_evaluation?locale=ru), but has since been removed. It can be obtained upon request from the authors.
5. Decree No. 1199 of the President of the Russian Federation, signed on 21 August 2012, "On Evaluating the Effectiveness of Executive Agencies in the Subjects of the Russian Federation." The 12 indicators are life expectancy at birth, population growth, capital investments (excluding budget money), small enterprises production, tax and non-tax fiscal revenues, average annual unemployment rate, real disposable incomes, the share of residential buildings, the number of high school graduates failing the unified state exam, mortality rate (excluding external causes), people's estimation of the regional government performance, and share of children deprived of parental care.
6. Russia's 83 regions are grouped into 8 federal districts, which are each headed by a presidential envoy called *polpred*, or "Plenipotentiary Representative of the President of the Russian Federation in a Federal District". The *polpred* is directly appointed by the Russian President.
7. On party schools and cadre training, see also Pieke (2009).
8. In China's autonomous regions, governors are called "government chairmen."
9. For example, Frye, Reuter, and Szakonyi (2014) show how regional governors might favor large and inefficient firms, as these are most likely to mobilize their workforce to vote for the regime.
10. The fact that during the same time period, the average age of the politbureau in the Soviet Union was far above 70 and growing every year while the country was stagnating might also have influenced Deng Xiaoping in his decision.

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